COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS
CNPJ/MF Nº 22.677.520/0001-76
NIRE 3130003731-2
Publicly Traded Company

MANAGEMENT DISCUSSION AND ANALISYS

Montes Claros, August 14, 2017 – Companhia de Tecidos Norte de Minas – COTEMINAS ("Company") is a Brazilian publicly-held company, based in Montes Claros – MG, and is engaged in the production and marketing of yarns and fabrics in general, imports and exports, and may hold equity interest in other companies and acquire marketable securities in the capital market. The Company's shares are traded in BM&FBOVESPA – "Bolsa de Valores, Mercadorias e Futuros" (Brazilian Securities, Commodities and Futures Exchange), under the codes "CTNM3" and "CTNM4".

The Company has two subsidiaries and two affiliated companies as major investments and assets, as follow:

Subsidiaries:

Springs Global Participações S.A. ("SGPSA") is the parent company of Coteminas S.A. and Springs Global US, Inc., which are focused on manufacturing operations of bed and bath linens. In 2009, SGPSA iniciated retail activities under the brand MMartan and, in 2011, under the brand Artex, which sell bedding, tabletop and bath products through the retail channel, managed by the subsidiary AMMO Varejo Ltda.

Companhia Tecidos Santanense is engaged in the textile and related industries, manufactures and sells clothing apparel, including professional uniforms, accessories and personal protective equipment for occupational safety.

Affiliated companies:

Cantagalo General Grains S.A. is a private company, based in São Paulo - SP, established on October 25, 2010, with the objective of growing soybeans, corn, cotton and other grains. It is also involved in agricultural commodities trading activities, through its subsidiary CGG Trading S.A., and has logistics assets (port terminals) for the export of grains.

Companhia Fiação e Tecidos Cedro e Cachoeira, based in Belo Horizonte - MG, was established on August 12, 1872. It is a publicly traded company, which operates in the textile and related industries, manufactures and sells clotinhg apparel, including professional uniforms, accessories and personal protective equipment for occupational safety.

Below are the individual comments of our subsidiaries Springs Global Participações and Companhia de Tecidos Santanense.

SPRINGS GLOBAL

BM&FBOVESPA: SGPS3

Springs Global: EBITDA reaches R$ 60 million and revenues from South America grew 17%

São Paulo, August 14th, 2017 - Springs Global Participações S.A. (Springs Global), the Americas' largest company in bedding, tabletop and bath products, reported in the second quarter of 2017 (2Q17) net revenue of R$ 540.4 million, with gross margin of 25.3% and EBITDA margin of 11.1%.

About Springs Global

Springs Global is the Americas' largest company in bedding, tabletop and bath products, with traditional and leading brands in the segments in which it operates, strategically positioned to target customers of different socioeconomic profiles. Springs Global operates vertically integrated plants, with high degree of automation and flexibility, located in Brazil, United States and Argentina.

BM&FBovespa: SGPS3

As of 06/30/2017:

Closing share price: R$ 9.23

Market cap: R$ 461.5 million

Conference call

Date: 08/15/2017
Time: 9:30 am São Paulo time / 8:30 am New York time / 1:30 pm London time

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Password: Springs Global

To access the webcast **click here** or access the website **http://www.springs.com/ri**.

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The highlights of Springs Global's performance in 2Q17 were:

- Net revenue of R$ 540.4 million, 4.3% greater than the second quarter of 2016 (2Q16), impacted by higher sales volume
- Net revenue from South America – Wholesale and Retail – amounted to R$ 350.8 million, with a year-over-year (yoy) increase of 17.0%
- Gross margin of 25.3%, against 27.9% in 2Q16
- EBITDA[(a)] of R$ 60 million, in line with 2Q16
- Income from operations reached R$ 41.4 million, stable yoy
- Decrease of R$ 9.9 million, or 22.1%, in financial expenses – interests
- Improvement of R$ 11.9 million yoy in net income
- Growth of 21.6% yoy in net revenue from the South America – Wholesale business unit
- Growth of 9.2% yoy in EBITDA from the North America – Wholesale business unit
- Growth of 6.6% yoy in gross revenue sell-out[(b)] in the business unit South America – Retail, with opening of two franchise stores and conversion of one store

in R$ million	2Q17 (A)	2Q16 (B)	(A)/(B) %	1H17 (C)	1H16 (D)	(C)/(D) %
Gross revenue	673.7	630.8	6.8%	1,305.9	1,357.5	(3.8%)
Net revenue	540.4	518.2	4.3%	1,056.6	1,120.8	(5.7%)
Gross profit	136.7	144.6	(5.5%)	271.8	303.1	(10.3%)
Gross Margin %	*25.3%*	*27.9%*	*(2.6 p.p.)*	*25.7%*	*27.0%*	*(1.3 p.p.)*
EBITDA	**59.8**	**60.9**	**(1.8%)**	**114.8**	**124.3**	**(7.6%)**
EBITDA Margin %	*11.1%*	*11.7%*	*(0.6 p.p.)*	*10.9%*	*11.1%*	*(0.2 p.p.)*
Income from operations	**41.4**	**41.5**	**(0.2%)**	**78.0**	**85.4**	**(8.7%)**
Number of stores	227	222	2.3%	227	222	2.3%

Table 1 – Key financial indicators

The financial and operational information presented in this release, except when otherwise indicated, is in accordance with accounting policies adopted in Brazil, which are in accordance with international accounting standards (International Financial Reporting Standards – IFRS)

Revenue

The consolidated net revenue reached R$ 540.4 million in 2Q17, 4.3% higher than 2Q16, positively impacted by higher sales volume from Bedding, Tabletop and Bath[c] line and intermediate products[d].

The share of intermediate products, which have shorter cash conversion cycle, in our sales mix increased, partially due to our conservative approach related to credit concession to Brazilian clients.

Revenues from South America reached R$ 350.8 million in 2Q17, representing 65% of total revenue in 2Q17, 17.0% higher yoy. Revenue from North America totaled R$ 189.6 million, equivalent to 35% of total revenue and 13.2% lower than 2Q16, negatively impacted by the yoy Real appreciation.

The Bedding, Tabletop and Bath line was responsible for 45% of 2Q17 revenue, the utility bedding line[e] for 29%, and intermediate products for 15%. The Retail revenue, representing 11% of total revenue in 2Q17, was stable yoy, as the negative impact from the conversion of owned stores into franchises was offset by the positive impact of the higher number of stores within years.

Revenues from the Bedding, Tabletop and Bath line amounted to R$ 244.4 million in 2Q17, 10.6% higher yoy, mainly due to 13.0% higher sales volumes in the same period. Revenues from the utility bedding line totaled R$ 157.4 million, 9.3% lower than 2Q16, being negatively impacted by the 5.2% average exchange rate variation yoy. Revenues from intermediate products were R$ 79.0 million, 23.4% higher yoy, positively impacted by both higher sales volume and by improved pricing and sales mix.

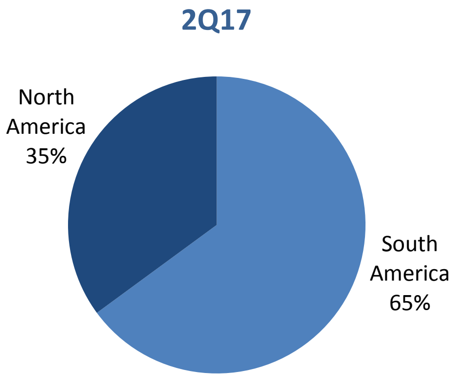


Chart 1 – Revenue per region

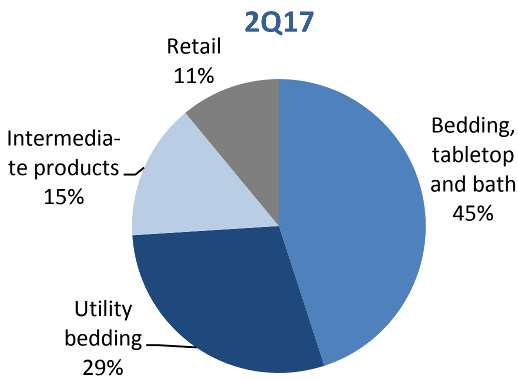


Chart 2 – Revenue per product line

Costs and Expenses

The cost of goods sold (COGS) was R$ 403.7 million in 2Q17, with a yoy increase of 8.1% and represented 74.7% of net revenue.

The main raw materials are cotton and polyester that, together with chemicals, packaging and trims, are included in materials costs, which amounted to R$ 246.3 million in 2Q17, with a 4.0% yoy increase, in line with the growth in revenues and sales volume.

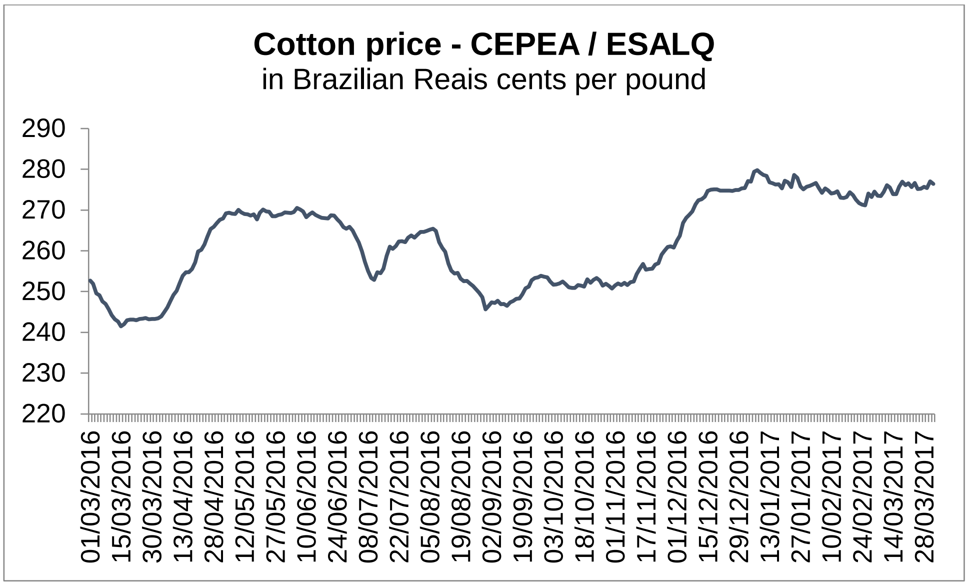
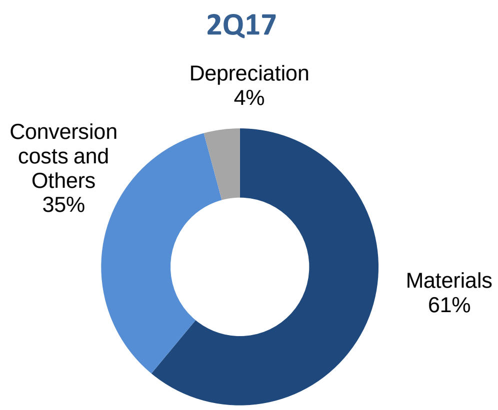


Chart 3 – Cotton price, source CEPEA

The conversion of raw materials into finished goods requires, mainly, labor, electricity and other utilities, designated as conversion costs and others, that reached R$ 140.5 million in 2Q17, with a 18.2% yoy increase, however in line with the quarterly average in the last twelve months. Due to their nature, these costs are impacted by economy of scale, being diluted when capacity utilization increases.

Depreciation costs of production and distribution assets totaled R$ 16.9 million in 2Q17, with a decrease of 5.6% yoy.



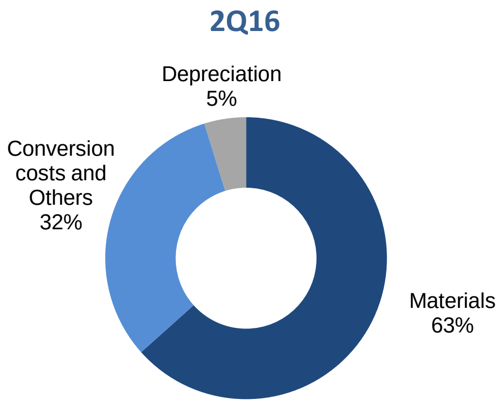
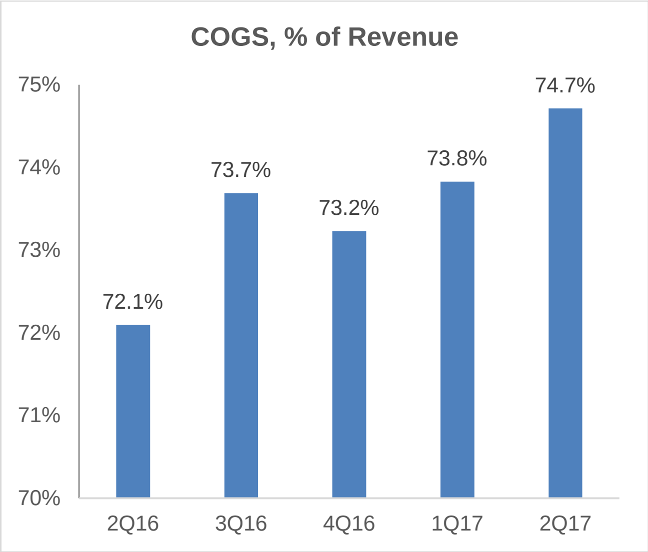


Chart 4 – COGS breakdown

Regarding operational expenses, selling expenses reached R$ 68.6 million, representing 12.7% of net revenue, in line with 2Q16. General and administrative expenses (G&A) amounted to R$ 35.0 million, equivalent to 6.5% of net revenue, and 2.5% higher yoy.



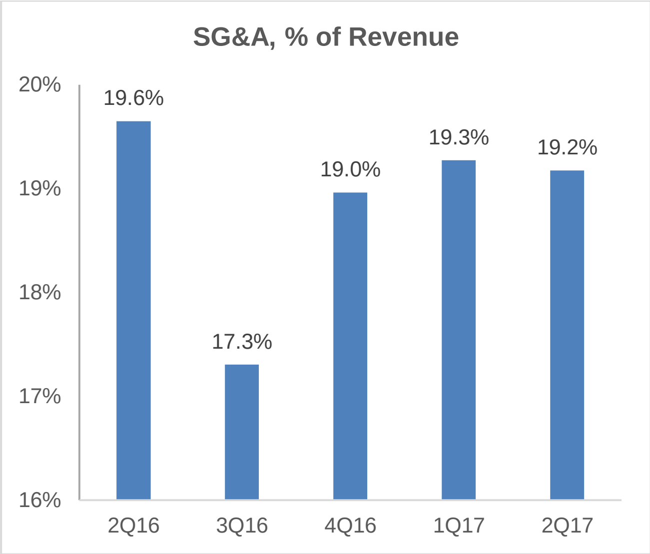


Chart 5 – COGS and SG&A, as % of net revenue

EBITDA

Cash generation, as measured by EBITDA, reached R$ 59.8 million in 2Q17, stable yoy. The decrease of R$ 7.9 million in gross profit was offset by the reduction of operational expenses by the same amount. EBITDA margin was 11.1% in 2Q17, against 11.7% in 2Q16.

In the last twelve months ended on June 30, 2017, LTM EBITDA reached R$ 256.2 million.

Profit

Gross profit totaled R$ 136.7 million in 2Q17, with gross margin of 25.3%. There was a 5.5% drop in gross profit, mainly due to higher conversion costs yoy.

The financial result was a loss of R$ 51.1 million in 2Q17, against a loss of R$ 56.5 million in 2Q16, mainly due to lower financial expenses.

The financial expenses – interest expenses – declined yoy by R$ 9.9 million, or 22.1%, mainly due to the lower Brazilian basic interest rate, which reduced from 14.25% at the end of 2Q16 to 10.25% at the end of 2Q17, since approximately 80% of our debt is CDI indexed.

There was a 2.0% cut in the Brazilian basic interest rate in 2Q17 and an additional cut of 1.0% in July, returning to a single-digit level, 9.25%. The downward trend is expected to continue in the coming months.

The financial income decreased by R$ 1.5 million, while bank charges, taxes, discounts and others increased by R$ 0.8 million yoy.

The balance of exchange rate variation was a loss of R$ 7.0 million in 2Q17, reflecting the depreciation of the Brazilian Real quarter-over-quarter (qoq).

There was an improvement of R$ 11.9 million in the net income yoy. Net profit was R$ 3.2 million in 2Q17, against net loss of R$ 8.7 million in 2Q16.

Capex and Working Capital

Capital expenditures (Capex) totaled R$ 9.6 million in 2Q17, mainly focused on asset modernization in the Company´s manufacturing facilities.

The working capital needs amounted to R$ 956.1 million at the end of 2Q17, stable qoq.

The working capital needs are higher in Brazil than in North America, due to the usual higher payment terms in the wholesale market. In retail, the conversion of owned to franchised stores enables the reduction of working capital, through the transfer of inventories and accounts receivable to the franchisee.

Debt indicators

Our net debt[f] was R$ 886.4 million as of June 30, 2017, in line with the value recorded at the end of the first quarter of 2017 (1Q17), of R$ 870.5 million.

In this quarter, we paid the last amortization installment of the debenture issued in 2014, and, therefore this debenture was fully paid in its maturity date. Moreover, we issued a new debenture, with total amount of R$ 50 million, interest rate of 110% of CDI and semi-annual amortization, starting on December 2018.

Our leverage, as measured by net debt/LTM EBITDA was equal to 3.5x by the end of 2Q17. The improvement of our operating income and, as a result, our cash generation will allow, at the same time, the decrease of net debt and the increase of EBITDA, contributing to the reduction of the indicator Net debt/EBITDA.

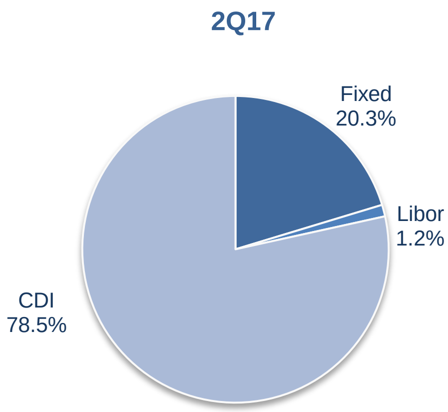


Chart 6 – Debt per index

Projections

Springs Global maintains its strategy to consolidate its leading position in the bedding, tabletop and bath market, and to expand its multibrand and monobrand retail channel, prioritizing franchises, which are less capital intensive.

We will continue to improve the profitability of our business by (a) higher capacity utilization of our plants in Brazil, mainly related to our growth in the decorative textile segment, resulting in higher absorption of fixed costs, (b) conversion of intermediate products into finished products with higher value added, and (c) conversion of owned stores into franchises, in addition to the growth of the number of franchises.

For 2017, we expect growth of up to 18% in revenues and EBITDA margin expansion, in line with the Company's budget that includes the following assumptions: (a) an average exchange rate of R$ 3.40 in 2017, (b) a growth of 0.8% of the Brazilian GDP, and (c) the conversion of 20 stores and the opening of 17 new franchise stores.

in R$ million	2017 Guidance	1H17 Actual
Net revenue		
South America - Wholesale*	1,250 - 1,450	588.6
South America - Retail	260 - 300	119.5
North America - Wholesale	850 - 980	380.5
Total net revenue	**2,360 - 2,730**	**1,056.6**
EBIT	200 - 240	78.0
EBITDA	280 - 320	114.8
CAPEX	35 - 45	18.2

* Including intercompany revenue of R$ 62.3 million in the 2017 guidance and of R$ 32.0 million in 1H17

Table 2 – Projections

Share performance

Springs Global's shares, traded on the BM&FBOVESPA under the ticker SGPS3, depreciated 1.4% in 2Q17, outperforming the IBOVESPA and underperforming the *Small Cap* indexes, in the same period. The daily average financial volume of our shares was R$ 1.1 million in 2Q17.

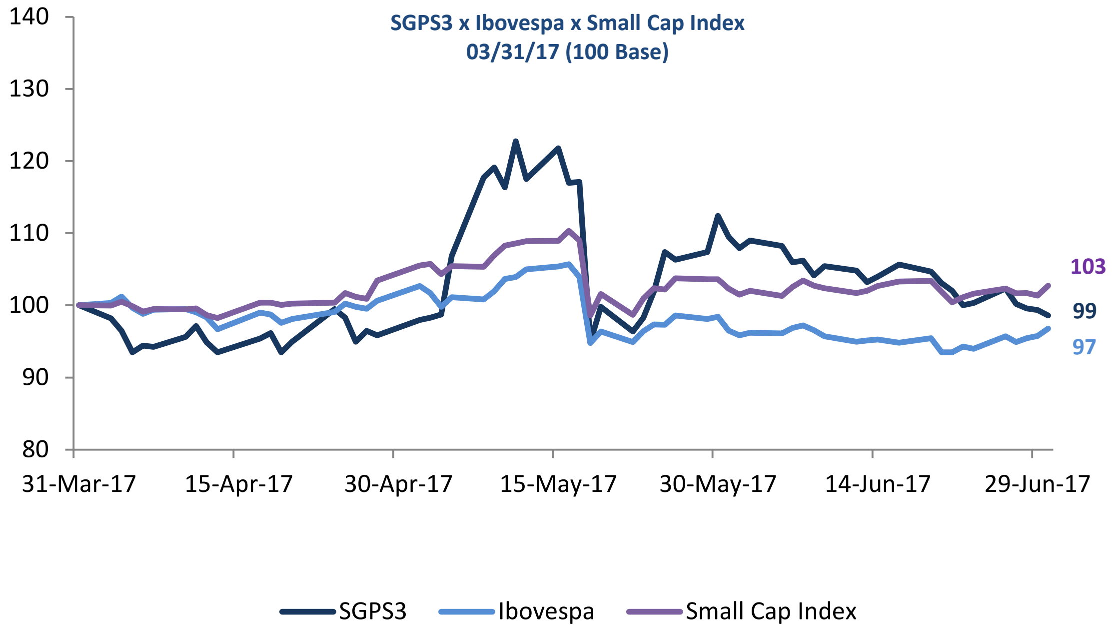


Chart 7 – Performance of SGPS3 share price

Performance of the business units

Springs Global presents its results segregated in the following business units: (a) South America – Wholesale, (b) South America - Retail, and (c) North America – Wholesale.

South America - Wholesale

Net revenue from the South America – Wholesale business unit amounted to R$ 307.8 million in 2Q17, 21.6% higher yoy, positively impacted by higher sales volume.

COGS totaled R$ 231.9 million in 2Q17, 29.6% higher yoy. SG&A expenses amounted to R$ 53.6 million, equivalent to 17.4% of revenue, with a 14.0% yoy increase.

EBITDA reached R$ 40.4 million, 9.0% below 2Q16.

The gross margin was equal to 24.7% in 2Q17, against 29.3% in 2Q16, and the EBITDA margin was 13.1%, against 17.5% in 2Q16, both negatively impacted by the higher share of intermediate products in the sales mix.

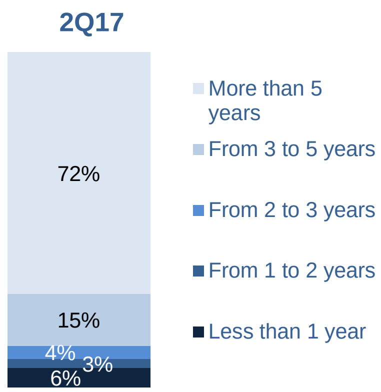
South America - Retail

Net revenue from the South America – Retail business unit totaled R$ 59.6 million in 2Q17, in line yoy, as the conversion of owned stores to franchises was offset by the higher number of stores. In 2Q17, we opened two Artex stores and converted one owned MMartan store into a franchise.

At the end of 2Q17, we had 227 stores, of which 74 were owned and 153 franchises, compared to 222 at the end of 2Q16.

The conversion process results in the reduction of revenue, but also of SG&A expenses, which enables the improvement of the EBITDA margin. In order to track the performance of the South America – Retail business unit, during this conversion process, it is necessary to compare the sell-out revenue, which, regardless if the store is owned or franchised, considers the selling price to the final consumer.

Sell-out revenue was R$ 116.7 million in 2Q17, 6.6% higher yoy.



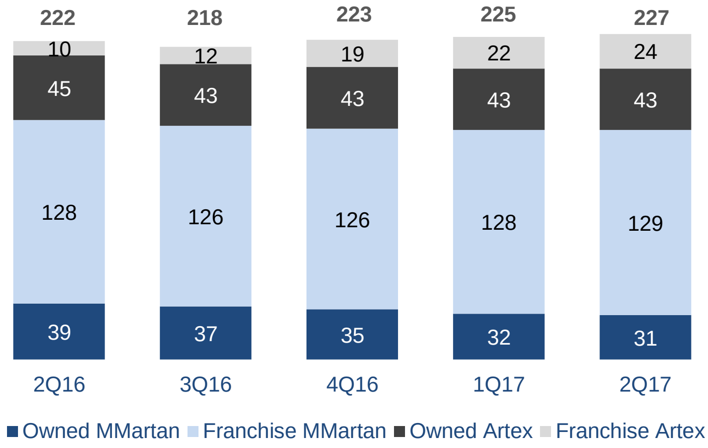


Chart 8 – Stores per maturity stage

Chart 9 – Number of stores

COGS totaled R$ 28.8 million, 2.1% higher yoy, and gross margin decreased to 51.7% in 2Q17 from 52.8% in 2Q16, due to the higher share of franchises in our revenue.

SG&A expenses amounted to R$ 32.2 million, 6.1% lower yoy, mainly due to the conversion of owned stores to franchises and the closing of some owned stores in the last twelve months.

EBITDA was positive R$ 0.3 million in 2Q17, against negative R$ 0.8 million in 2Q16, due to the reductions in SG&A.

We will prioritize in 2017 new conversion of owned stores into franchises, which will lead to a decrease in revenue, but also lower SG&A expenses, enabling margin expansion. At the same time, we will increase the number of Artex franchises, which will help to boost sales in monobrand retail.

North America - Wholesale

Net revenue from the North America – Wholesale business unit reached R$ 189.6 million in 2Q17, with a 13.2% yoy decrease, negatively impacted by the Brazilian Real appreciation against the US dollar of 5.2% yoy and lower sales volume.

COGS amounted to R$ 159.6 million, 11.1% lower yoy. The gross margin was 15.8% in 2Q17, against 17.8% in 2Q16. SG&A expenses represented 8.9% of revenue in 2Q17, with a 13.4% yoy decrease.

Other expenses decreased by R$ 8.2 million yoy, positively impacted by the recovery of environmental expenses and by provision reversals in pension plan and in non-recoverable leases.

EBITDA reached R$ 20.2 million, 9.2% higher yoy. EBITDA margin was 10.7%, against 8.5% in 2Q16.

Tables

Table 3 – Net revenue per business unit

in R$ million	2Q17 (A)	%	2Q16 (B)	%	(A)/(B) %	1H17 (C)	%	1H16 (D)	%	(C)/(D) %
South America	**350.8**	**65%**	**299.8**	**58%**	**17.0%**	**676.1**	**64%**	**644.4**	**57%**	**4.9%**
Wholesale*	291.2	54%	240.1	46%	21.3%	556.6	53%	521.0	46%	6.8%
Retail	59.6	11%	59.7	12%	(0.2%)	119.5	11%	123.4	11%	(3.2%)
North America	**189.6**	**35%**	**218.4**	**42%**	**(13.2%)**	**380.5**	**36%**	**476.4**	**43%**	**(20.1%)**
Total net revenue	**540.4**	**100%**	**518.2**	**100%**	**4.3%**	**1,056.6**	**100%**	**1,120.8**	**100%**	**(5.7%)**
Intercompany	16.6		13.0			32.0		29.5		

* Excluding intercompany revenues

Table 4 – Net revenue per product line

	Net Revenue (R$ million)			Volume (tons)			Average price (R$)/Kg		
Product Lines	**2Q17 (A)**	**2Q16 (B)**	**(A)/(B) %**	**2Q17 (C)**	**2Q16 (D)**	**(C)/(D) %**	**2Q17 (E)**	**2Q16 (F)**	**(E)/(F) %**
Bedding, tabletop and bath	244.4	220.9	10.6%	7,881	6,977	13.0%	31.0	31.7	(2.1%)
Utility bedding	157.4	173.6	(9.3%)	10,195	10,547	(3.3%)	15.4	16.5	(6.2%)
Intermediate products	79.0	64.0	23.4%	7,715	7,037	9.6%	10.2	9.1	12.6%
Retail	59.6	59.7	(0.2%)						
Total	**540.4**	**518.2**	**4.3%**	**25,791**	**24,561**	**5.0%**	**21.0**	**21.1**	**(0.7%)**

	Net Revenue (R$ million)			Volume (tons)			Average price (R$)/Kg		
Product Lines	**1H17 (A)**	**1H16 (B)**	**(A)/(B) %**	**1H17 (C)**	**1H16 (D)**	**(C)/(D) %**	**1H17 (E)**	**1H16 (F)**	**(E)/(F) %**
Bedding, tabletop and bath	468.7	495.1	(5.3%)	15,253	15,633	(2.4%)	30.7	31.7	(3.0%)
Utility bedding	318.0	379.9	(16.3%)	20,984	21,284	(1.4%)	15.2	17.8	(15.1%)
Intermediate products	150.4	122.4	22.9%	14,338	13,648	5.1%	10.5	9.0	17.0%
Retail	119.5	123.4	(3.2%)						
Total	**1,056.6**	**1,120.8**	**(5.7%)**	**50,575**	**50,565**	**0.0%**	**20.9**	**22.2**	**(5.7%)**

Table 5 – Cost of goods sold (COGS) and Sales, General and Administrative expenses (SG&A)

in R$ million	2Q17 (A)	%	2Q16 (B)	%	(A)/(B) %	1H17 (C)	%	1H16 (D)	%	(C)/(D) %
Materials	246.3	61.0%	236.8	63.4%	4.0%	479.2	61.1%	524.1	64.1%	(8.6%)
Conversion costs and Others	140.5	34.8%	118.9	31.8%	18.2%	271.7	34.6%	257.8	31.5%	5.4%
Depreciation	16.9	4.2%	17.9	4.8%	(5.6%)	33.9	4.3%	35.8	4.4%	(5.3%)
COGS	**403.7**	**100.0%**	**373.6**	**100.0%**	**8.1%**	**784.8**	**100.0%**	**817.7**	**100.0%**	**(4.0%)**
COGS, % Revenues	**74.7%**		**72.1%**		*2.6 p.p.*	**74.3%**		**73.0%**		*1.3 p.p.*
Sales expenses	68.6	66.2%	67.6	66.4%	1.4%	134.9	66.4%	140.1	66.5%	(3.7%)
General and administrative expenses	35.0	33.8%	34.2	33.6%	2.5%	68.2	33.6%	70.5	33.5%	(3.2%)
SG&A	**103.6**	**100.0%**	**101.8**	**100.0%**	**1.8%**	**203.1**	**100.0%**	**210.5**	**100.0%**	**(3.5%)**
SGA, % Revenues	**19.2%**		**19.6%**		*(0.4 p.p.)*	**19.2%**		**18.8%**		*0.4 p.p.*

Table 6 – Reconciliation of EBITDA

in R$ million	2Q17 (A)	2Q16 (B)	(A)/(B) %	1H17 (C)	1H16 (D)	(C)/(D) %
Income (Loss)	3.2	(8.7)	n.a.	(8.8)	(30.9)	n.a.
(+) Income and social contribution taxes	(12.9)	(6.3)	104.8%	(12.5)	(4.3)	190.6%
(+) Financial results	51.1	56.5	(9.6%)	99.3	120.6	(17.7%)
(+) Depreciation and amortization	18.4	19.4	(5.1%)	36.8	38.9	(5.4%)
EBITDA	**59.8**	**60.9**	**(1.8%)**	**114.8**	**124.3**	**(7.6%)**

Table 7 – EBITDA per business unit and EBITDA margin

in R$ million	1Q17 (A)	1Q16 (B)	(A)/(B) %	1H17 (C)	1H16 (D)	(C)/(D) %
South America	**40.7**	**43.6**	**(6.7%)**	**78.4**	**94.4**	**(16.9%)**
Wholesale	40.4	44.4	(9.0%)	77.7	96.9	(19.8%)
Retail	0.3	(0.8)	n.a.	0.7	(2.5)	n.a.
North America	**20.2**	**18.5**	**9.2%**	**38.5**	**31.9**	**20.7%**
Non-allocated expenses	(1.0)	(1.0)	0.0%	(2.0)	(1.8)	11.1%
EBITDA total	**59.8**	**60.9**	**(1.8%)**	**114.8**	**124.3**	**(7.6%)**
EBITDA Margin %	*11.1%*	*11.7%*	*(0.6 p.p.)*	*10.9%*	*11.1%*	*(0.2 p.p.)*

Table 8 – Financial Results

in R$ million	2Q17 (A)	2Q16 (B)	(A)/(B) %	1H17 (C)	1H16 (D)	(C)/(D) %
Financial income	6.1	7.6	(19.6%)	13.9	13.9	(0.5%)
Financial expenses - interests	(34.9)	(44.8)	(22.1%)	(76.3)	(84.0)	(9.2%)
Financial expenses - bank charges and others	(15.3)	(14.5)	5.5%	(30.8)	(31.3)	(1.6%)
Exchange rate variations, net	(7.0)	(4.9)	44.7%	(6.1)	(19.2)	(68.4%)
Financial results	**(51.1)**	**(56.5)**	**(9.6%)**	**(99.3)**	**(120.6)**	**(17.7%)**

Table 9 – Capex

in R$ million	2Q17	2Q16	1H17	1H16
Manufacturing facilities	8.9	26.0	17.4	46.9
Retail	0.7	0.7	0.8	1.2
Total	**9.6**	**26.6**	**18.2**	**48.2**

Table 10 – Working Capital

in R$ million	2Q17 (A)	1Q17 (B)	2Q16 (C)	(A)/(B) %	(A)/(C) %
Accounts receivable	505.0	491.0	507.3	2.9%	(0.4%)
Inventories	566.1	545.3	618.4	3.8%	(8.4%)
Advances to suppliers	37.0	37.3	34.2	(1.0%)	8.0%
Suppliers	(152.0)	(120.9)	(167.4)	25.8%	(9.2%)
Working capital	**956.1**	**952.8**	**992.5**	**0.4%**	**(3.7%)**

Table 11 – Indebtedness

in R$ million	2Q17 (A)	1Q17 (B)	2Q16 (C)	(A)/(B) %	(A)/(C) %
Loans and financing	1,039.1	933.4	906.0	11.3%	14.7%
- Domestic currency	673.7	609.4	608.5	10.5%	10.7%
- Foreign currency	365.4	323.9	297.6	12.8%	22.8%
Debentures	48.5	140.0	133.6	(65.4%)	(63.7%)
Total Debt	**1,087.6**	**1,073.4**	**1,039.6**	**1.3%**	**4.6%**
Cash and marketable securities	(201.2)	(202.9)	(192.4)	(0.8%)	4.5%
Net debt	**886.4**	**870.5**	**847.2**	**1.8%**	**4.6%**

Table 12 – Main indicators - South America - Wholesale business unit

in R$ million	2Q17 (A)	1Q17 (B)	2Q16 (C)	(A)/(B) %	(A)/(C) %	1H17 (D)	1H16 (E)	(D)/(E) %
Net revenue	307.8	280.8	253.1	9.6%	21.6%	588.6	550.5	6.9%
(-) COGS	(231.9)	(210.6)	(178.9)	10.1%	29.6%	(442.5)	(386.3)	14.5%
Gross profit	75.9	70.2	74.2	8.1%	2.3%	146.1	164.2	(11.0%)
Gross Margin %	***24.7%***	***25.0%***	***29.3%***	***(0.3 p.p.)***	***(4.7 p.p.)***	***24.8%***	***29.8%***	***(5.0 p.p.)***
(-) SG&A	(53.6)	(49.6)	(47.0)	8.1%	14.0%	(103.2)	(98.4)	4.9%
(-) Others	1.4	(0.1)	1.1	n.a.	27.3%	1.3	(1.1)	n.a.
Operational result	23.7	20.5	28.3	15.6%	(16.3%)	44.2	64.7	(31.7%)
(+) Depreciation and Amortization	16.7	16.8	16.1	(0.6%)	3.7%	33.5	32.2	4.0%
EBITDA	40.4	37.3	44.4	8.3%	(9.0%)	77.7	96.9	(19.8%)
EBITDA Margin %	***13.1%***	***13.3%***	***17.5%***	***(0.2 p.p.)***	***(4.4 p.p.)***	***13.2%***	***17.6%***	***(4.4 p.p.)***
Intercompany revenue	16.6	15.4	13	7.8%	27.7%	32	29.5	8.5%
Revenue ex-intercompany	291.2	265.4	240.1	9.7%	21.3%	556.6	521.0	6.8%

Table 13 – Main indicators - South America - Retail business unit

in R$ million	2Q17 (A)	1Q17 (B)	2Q16 (C)	(A)/(B) %	(A)/(C) %	1H17 (D)	1H16 (E)	(D)/(E) %
Net revenue	59.6	59.9	59.7	(0.5%)	(0.2%)	119.5	123.4	(3.2%)
(-) COGS	(28.8)	(29.4)	(28.2)	(2.0%)	2.1%	(58.2)	(60.7)	(4.1%)
Gross profit	30.8	30.5	31.5	1.0%	(2.2%)	61.3	62.7	(2.2%)
Gross Margin %	***51.7%***	***50.9%***	***52.8%***	***0.8 p.p.***	***(1.1 p.p.)***	***51.3%***	***50.8%***	***0.5 p.p.***
(-) SG&A	(32.2)	(32.0)	(34.3)	0.6%	(6.1%)	(64.2)	(69.4)	(7.5%)
(-) Others	0.6	0.9	(0.4)	(33.3%)	n.a.	1.5	(0.7)	n.a.
Operational result	(0.8)	(0.6)	(3.2)	n.a.	n.a.	(1.4)	(7.4)	n.a.
(+) Depreciation and Amortization	1.1	1.0	2.4	10.0%	(54.2%)	2.1	4.9	(57.1%)
EBITDA	0.3	0.4	(0.8)	(25.0%)	n.a.	0.7	(2.5)	n.a.
EBITDA Margin %	***0.5%***	***0.7%***	***-1.3%***	***(0.2 p.p.)***	***1.8 p.p.***	***0.6%***	***-2.0%***	***2.6 p.p.***
Number of stores	227	225	222	0.9%	2.3%	227	222	2.3%
Owned MMartan	31	32	39			31	39	
Franchise MMartan	129	128	128			129	128	
Owned Artex	43	43	45			43	45	
Franchise Artex	24	22	10			24	10	
Gross Revenue sell-out	116.7	110.4	109.5	5.7%	6.6%	227.2	221.1	2.7%

Table 14 – Main indicators - North America - Wholesale business unit

in R$ million	2Q17 (A)	1Q17 (B)	2Q16 (C)	(A)/(B) %	(A)/(C) %	1H17 (D)	1H16 (E)	(D)/(E) %
Net revenue	189.6	190.9	218.4	(0.7%)	(13.2%)	380.5	476.4	(20.1%)
(-) COGS	(159.6)	(156.5)	(179.5)	2.0%	(11.1%)	(316.1)	(400.2)	(21.0%)
Gross profit	30.0	34.4	38.9	(12.8%)	(22.9%)	64.4	76.2	(15.5%)
Gross Margin %	***15.8%***	***18.0%***	***17.8%***	***(2.2 p.p.)***	***(2.0 p.p.)***	***16.9%***	***16.0%***	***0.9 p.p.***
(-) SG&A	(16.8)	(16.9)	(19.4)	(0.6%)	(13.4%)	(33.7)	(40.8)	(17.4%)
(-) Others	6.3	0.2	(1.9)	n.a.	n.a.	6.5	(5.4)	n.a.
Operational result	19.5	17.7	17.6	10.2%	10.8%	37.2	30.0	24.0%
(+) Depreciation and Amortization	0.7	0.6	0.9	16.7%	(22.2%)	1.3	1.9	(31.6%)
EBITDA	20.2	18.3	18.5	10.4%	9.2%	38.5	31.9	20.7%
EBITDA Margin %	***10.7%***	***9.6%***	***8.5%***	***1.1 p.p.***	***2.2 p.p.***	***10.1%***	***6.7%***	***3.4 p.p.***

Glossary

(**a) EBITDA** - EBITDA is a non-accounting measurement which we prepare and which is reconciled with our financial statement in accordance with CVM Instruction 01/2007, when applicable. We have calculated our EBITDA (usually defined as earnings before interest, tax, depreciation and amortization) as net earnings before financial results, the effect of depreciation of our plants, equipment and other permanent assets and the amortization of intangible assets. EBITDA is not a measure recognized under BR GAAP, IFRS or US GAAP. It is not significantly standardized and cannot be compared to measurements with similar names provided by other companies. We have reported EBITDA because we use it to measure our performance. EBITDA should not be considered in isolation or as a substitute for "net income" or "operating income" as indicators of operational performance or cash flow, or for the measurement of liquidity or debt repayment capacity.

(b) Sell-out revenue – Revenue from sales channel to the end customers.

(c) Bedding, Tabletop and Bath ("CAMEBA") line - includes bed sheets and pillow cases, sheet sets, tablecloths, towels, rugs and bath accessories.

(d) Intermediate products - yarns and fabrics, in their natural state or dyed and printed, sold to small and medium-sized clothing, knitting and weaving companies.

(e) Utility bedding line - includes pillows, mattress pads and quilts.

(f) Net debt – Gross debt minus cash and marketable securities.

Balance sheet

in R$ million	2Q17	1Q17	2Q16
Assets			
Current assets	**1,328.9**	**1,298.1**	**1,371.6**
Cash and cash equivalents	120.3	124.3	116.2
Marketable securities	17.4	18.0	15.5
Accounts receivable	505.0	491.0	507.3
Inventories	566.1	545.3	618.4
Advances to suppliers	37.0	37.3	34.2
Recoverable taxes	25.2	26.6	31.0
Receivable - sale of property	-	-	16.6
Other receivables	57.8	55.5	32.5
Noncurrent assets	**1,269.9**	**1,256.4**	**1,211.7**
Long-term assets	**424.7**	**412.3**	**319.0**
Marketable securities	63.4	60.5	60.7
Receivable - clients	24.2	27.0	-
Receivable - sale of property	53.8	54.9	37.6
Related parties	45.9	50.0	42.2
Recoverable taxes	9.1	9.2	9.5
Deferred income and social contribution taxes	126.9	111.8	57.4
Property, plant and equipment held for sale	48.0	48.1	48.7
Escrow deposits	14.9	18.4	20.3
Others	38.3	32.4	42.6
Permanent	**845.2**	**844.1**	**892.7**
Other investments	-	-	2.0
Property, plant and equipment	730.3	729.9	773.4
Intangible assets	114.9	114.2	117.4
Total assets	**2,598.7**	**2,554.5**	**2,583.3**

in R$ million	2Q17	1Q17	2Q16
Liabilities and Equity			
Current liabilities	**777.1**	**760.5**	**875.9**
Loans and financing	475.2	353.4	425.7
Debentures	0.3	140.0	133.6
Suppliers	152.0	120.9	167.4
Taxes	12.3	13.5	15.8
Payroll and related charges	66.0	57.0	56.8
Government concessions	16.8	17.3	18.1
Noneconomic leases	6.4	7.4	5.8
Other payables	48.1	51.1	52.7
Noncurrent liabilities	**809.3**	**782.9**	**687.5**
Loans and financing	563.9	579.9	480.4
Debentures	48.2	-	-
Noneconomic leases	14.5	14.3	17.9
Related parties	0.8	4.3	-
Government concessions	46.7	48.5	49.4
Employee benefit plans	104.7	101.7	104.5
Miscellaneous accruals	17.1	21.4	22.2
Other obligations	13.4	12.8	13.2
Equity	**1,012.3**	**1,011.1**	**1,019.9**
Capital	1,860.3	1,860.3	1,860.3
Capital reserves	79.4	79.4	79.4
Assets and liabilities valuation adjustment	(36.7)	(36.7)	(33.8)
Cumulative translation adjustment	(269.8)	(272.2)	(268.3)
Earnings reserves	25.2	25.2	25.2
Accumulated deficit	(648.4)	(648.3)	(649.6)
Noncontrolling interest	2.5	3.5	6.7
Total liabilities and equity	**2,598.7**	**2,554.5**	**2,583.3**

Income Statement

in R$ million	2Q17 (A)	1Q17 (B)	2Q16 (C)	(A)/(B) %	(A)/(C) %	1H17 (D)	1H16 (E)	(D)/(E) %
Gross revenues	673.7	632.2	630.8	6.6%	6.8%	1,305.9	1,357.5	(3.8%)
Net revenues	**540.4**	**516.2**	**518.2**	**4.7%**	**4.3%**	**1,056.6**	**1,120.8**	**(5.7%)**
Cost of goods sold	**(403.7)**	**(381.1)**	**(373.6)**	**5.9%**	**8.1%**	**(784.8)**	**(817.7)**	**(4.0%)**
% of net sales	*74.7%*	*73.8%*	*72.1%*	*0.9 p.p.*	*2.6 p.p.*	*74.3%*	*73.0%*	*1.3 p.p.*
Materials	(246.3)	(232.9)	(236.8)	5.8%	4.0%	(479.2)	(524.1)	(8.6%)
Conversion costs and others	(140.5)	(131.2)	(118.9)	7.1%	18.2%	(271.7)	(257.8)	5.4%
Depreciation	(16.9)	(17.0)	(17.9)	(0.6%)	(5.6%)	(33.9)	(35.8)	(5.3%)
Gross profit	**136.7**	**135.1**	**144.6**	**1.1%**	**(5.5%)**	**271.8**	**303.1**	**(10.3%)**
% Gross Margin	*25.3%*	*26.2%*	*27.9%*	*(0.9 p.p.)*	*(2.6 p.p.)*	*25.7%*	*27.0%*	*(1.3 p.p.)*
SG&A	**(103.6)**	**(99.5)**	**(101.8)**	**4.2%**	**1.8%**	**(203.1)**	**(210.5)**	**(3.5%)**
% of net sales	*19.2%*	*19.3%*	*19.6%*	*(0.1 p.p.)*	*(0.5 p.p.)*	*19.2%*	*18.8%*	*0.4 p.p.*
Selling expenses	(68.6)	(66.3)	(67.6)	3.6%	1.4%	(134.9)	(140.1)	(3.7%)
% of net sales	*12.7%*	*12.8%*	*13.1%*	*(0.1 p.p.)*	*(0.4 p.p.)*	*12.8%*	*12.5%*	*0.3 p.p.*
General and administrative expenses	(35.0)	(33.2)	(34.2)	5.4%	2.5%	(68.2)	(70.5)	(3.2%)
% of net sales	*6.5%*	*6.4%*	*6.6%*	*0.0 p.p.*	*(0.1 p.p.)*	*6.5%*	*6.3%*	*0.2 p.p.*
Others, net	**8.3**	**0.9**	**(1.3)**	**n.a.**	**n.a.**	**9.3**	**(7.2)**	**n.a.**
% of net sales	*1.5%*	*0.2%*	*(0.3%)*	*1.4 p.p.*	*1.8 p.p.*	*0.9%*	*(0.6%)*	*1.5 p.p.*
Income from operations	**41.4**	**36.6**	**41.5**	**13.1%**	**(0.2%)**	**78.0**	**85.4**	**(8.7%)**
% of net sales	*7.7%*	*7.1%*	*8.0%*	*0.6 p.p.*	*(0.3 p.p.)*	*7.4%*	*7.6%*	*(0.2 p.p.)*
Financial result	(51.1)	(48.3)	(56.5)	5.8%	(9.6%)	(99.3)	(120.6)	(17.7%)
Profit (Loss) before taxes	**(9.7)**	**(11.7)**	**(15.0)**	**n.a.**	**n.a.**	**(21.4)**	**(35.2)**	**n.a.**
Income and social contribution taxes	12.9	(0.3)	6.3	n.a.	n.a.	12.5	4.3	n.a.
Net income (loss)	**3.2**	**(12.0)**	**(8.7)**	**n.a.**	**n.a.**	**(8.8)**	**(30.9)**	**n.a.**

Cash Flow Statement

in R$ million	2Q17	2Q16	1H17	1H16
Cash flows from operating activities				
Net income (loss) for the period	3.2	(8.7)	(8.8)	(30.9)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	18.4	19.4	36.8	38.9
Income and social contribution taxes	(12.9)	(6.3)	(12.5)	(4.3)
Gain on disposal of property, plant and equipment and intangibles	(1.8)	0.5	(6.9)	1.9
Monetary variation	4.1	-	1.1	-
Exchange rate variations	7.0	(0.9)	6.1	5.5
Bank charges, interests and commissions	38.3	38.2	85.5	72.1
	56.4	**42.2**	**101.2**	**83.1**
Changes in assets and liabilities				
Marketable securities	1.2	(80.4)	3.0	(80.4)
Accounts receivable	(11.0)	11.8	(17.0)	(36.6)
Inventories	(17.1)	(49.0)	(5.1)	(0.1)
Advances to suppliers	0.3	4.9	(1.4)	3.4
Suppliers	27.0	46.0	8.1	47.7
Taxes and fees	(1.5)	-	-	-
Others	3.5	30.4	5.3	6.2
Net cash provided by (used in) operating activities	**58.9**	**5.8**	**94.1**	**23.3**
Interest paid on loans	(43.9)	(48.0)	(70.5)	(74.4)
Income and social contribution taxes paid	(2.4)	0.5	(4.5)	0.8
Net cash provided by (used in) operating activities after interest and taxes	**12.6**	**(41.7)**	**19.1**	**(50.4)**
Cash flows from investing activities				
Investments	(4.0)	-	(7.9)	-
Property, plant and equipment	(9.6)	(26.6)	(18.2)	(48.2)
Intangible assets	(0.0)	(0.0)	(0.0)	(0.0)
Disposal of property, plant and equipment	1.0	(0.7)	11.2	1.4
Loans between related parties	(14.3)	(39.9)	(18.7)	(41.5)
Net cash provided by (used in) investing activities	**(26.9)**	**(67.3)**	**(33.6)**	**(88.3)**
Cash flows from financing activities				
Proceeds from new loans	316.2	269.2	578.5	588.7
Repayment of loans	(306.9)	(270.9)	(602.6)	(471.2)
Net cash provided by (used in) financing activities	**9.3**	**(1.6)**	**(24.1)**	**117.5**
Effect of exchange rate changes on cash and cash equivalents in foreign currencies	0.9	(8.3)	(1.4)	(12.5)
Increase (decrease) in cash and cash equivalents	**(4.0)**	**(118.9)**	**(40.0)**	**(33.7)**
Cash and cash equivalents:				
At the beginning of the period	124.3	227.4	160.4	149.9
At the end of the period	120.3	116.2	120.3	116.2

This press release may include declarations about Springs Global's expectations regarding future events or results. All declarations based upon future expectations, rather than historical facts, are subject to various risks and uncertainties.

These risks and uncertainties include factors related to the following: the Company´s business strategy, the international and the Brazilian economies, technology, financial strategy, developments in the textile and retail sectors, market conditions, among others. To obtain further information on factors that may give rise to results different from those forecasted by Springs Global, please consult the reports filed with the Brazilian Comissão de Valores Mobiliários (CVM, equivalent to U.S. "SEC").

Companhia Tecidos Santanense

CNPJ/MF n° 21.255.567/0001-89

Publicly Traded Company

Dear Shareholders,

We submit for your consideration the interim financial statements for the second quarter of 2017, accompanied by the report on the review of the interim financial statements of the Independent Auditors.

Santanense´s gross revenue amounted to R$ 247.0 million in the first half of 2017. The following table presents the financial highlights in the first six months of 2017 and 2016.

Consolidated Financial Highlights	R$ ´000		Variation %
	1H17	1H16	
Gross revenue	247,041	225,250	9.7
Net revenue	203,462	178,224	14.2
Cost of goods sold	(163,524)	(155,529)	5.1
Gross profit	39,938	22,695	76.0
(% of net revenue)	*19.6%*	*12.7%*	
Selling, general and administrative expenses	(26,683)	(25,558)	4.4
EBITDA	19,061	2,933	549.9

Net Revenue

Net revenue totaled R$ 203.5 million in the first half of 2017. Santanense´s net revenue increased by 14.2% year-over-year (yoy) in the first half of 2017, due to the maintenance of sales volume and the better mix of products sold.

Cost of goods sold

Santanense reported gross margin of 19.6% in the first half of 2017, compared to 12.7% in the same period in 2016. The efforts to reduce some conversion costs, the improvement of product lines, and the adjustment of production capacity enabled the Company to partially recover its margins.

Selling, general and administrative expenses

Selling, general and administrative expenses reflected an increase in line with inflation in the same period.

Operating income

Operating income was R$ 13.3 million in the first half of 2017, reverting a loss of R$ 2.7 million in the first half of 2016, due to the reasons explained above.

Financial result, net

In the first half of 2017, the net financial result was an expense of R$ 7.9 million, compared to an expense of R$ 2.9 million in the same period last year, mainly due to the exchange variation on the Company’s debt in US dollars, net of its receivables from exports, which reduced the Company´s financial result in the first half of 2016.

Financial result	**R$ million**	
	1H17	**1H16**
Financial expenses - interests	(11.2)	(7.5)
Bank charges, discounts	(1.5)	(1.1)
Financial income	4.8	1.9
Exchange variation, net	-	3.8
Financial result, net	**(7.9)**	**(2.9)**

We expect an enhancement in the Company's operational result in the next quarter, due to continued improvement in sales and profitability.

Montes Claros – MG, August 14, 2017.

Management

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Companhia de Tecidos Norte de Minas - COTEMINAS

Individual and Consolidated Financial Statements and Report on Review of Interim Financial Information Second Quarter - 2017

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REVIEW REPORT OF INDEPENDENT AUDITORS ON INTERIM FINANCIAL INFORMATION

To The Board of Directors, Management and Shareholders of
Companhia de Tecidos Norte de Minas - COTEMINAS
Montes Claros - MG

Introduction

We have reviewed the individual and consolidated interim financial statements of **Companhia de Tecidos Norte de Minas - COTEMINAS** ("Company"), included in the Quarterly Information (ITR) related to the quarter ended June 30, 2017, which consist of the balance sheet at June 30, 2017 and the related statements of income and comprehensive income for the three and six months then ended and the changes in equity and cash flows for the six month period then ended including a summary of significant accounting policies and other explanatory notes.

The Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 (R1) - Interim Financial Reporting and consolidation interim financial in accordance with CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of information in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

Our review was conducted according to the Brazilian and international standards for reviewing interim financial statements (NBC TR 2410 and ISRE 2410 – Review of Interim Financial Information performed by the Independent Auditor of the Entity). An interim review consists principally of applying analytical and other review procedures, and making enquiries of and having discussions with persons responsible for financial and accounting matters.

It is substantially less in scope than an audit conducted in accordance with auditing standards. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Therefore, we do not express such an opinion.

Conclusion on the individual interim financial information

Based on our review, we are not aware of any facts that would lead us to believe that the individual interim financial information included in the Quarterly Information - ITR referred to above were not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Information - ITR and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Conclusion on the consolidated interim financial information

Based on our review, we are not aware of any facts that would lead us to believe that the consolidated interim financial information included in the Quarterly Information - ITR referred to above were not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Information - ITR and IAS 34 - Interim Financial Reporting presented and in accordance with the standards issued by the Brazilian Securities Commission (CVM).

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Other issues

Interim statements of value added

We have also reviewed the individual and consolidated interim statements of value added (DVA), individual and consolidated, prepared under the responsibility of the Company's management, for the Company for the six months ended June 30, 2017, for which presentation in the interim financial statements is required according to the standards issued by CVM applicable to the preparation of Quarterly Information (ITR), and considered as supplementary information by IFRS, which do not require the presentation of DVA. These statements were submitted to the same review procedures described before and, based on our review, we are not aware of any fact that leads us to believe that they have not been fairly stated, in all material respects, regarding the individual and consolidated interim financial statements taken as a whole.

Audit of values corresponding to the previous period

The interim financial statements also include information for the year ended June 30, 2016, presented for comparison purposes. The review of the interim financial statements at June 30, 2016 were conducted under the responsibility of other independent auditors, who issued report without modification on August 12, 2016.

São Paulo, August 14, 2017.

BDO RCS Auditores Independentes
CRC 2 SP 013846/O-1 - S - MG

Paulo Sérgio Tufani

Accountant CRC 1 SP 124504/O-9 - S - MG

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF JUNE 30, 2017 AND DECEMBER 31, 2016

(In thousands of Brazilian Reais)

ASSETS

		Company		Consolidated	
	Note	06.30.2017	12.31.2016	06.30.2017	12.31.2016
CURRENT:					
Cash and cash equivalents	3	453	286	129,615	183,420
Marketable securities	4	-	-	56,443	44,431
Accounts receivable	5	-	-	595,730	592,389
Inventories	6	-	-	635,480	631,015
Advances to suppliers		305	148	38,064	41,012
Recoverable taxes	20.d	1,687	2,672	27,583	39,313
Real estate held for sale		-	-	1,244	1,245
Other receivables		279	252	33,421	42,616
Total current assets		2,724	3,358	1,517,580	1,575,441
NONCURRENT:					
Long-term assets:					
Marketable securities	4	-	-	63,404	62,057
Receivable – clients	7	-	-	24,226	24,288
Receivable – sale of property	8	-	-	53,801	54,880
Recoverable taxes	20.d	13,615	13,613	41,394	40,693
Deferred income and social contribution taxes	20.c	4,595	4,353	152,810	139,634
Related parties	19	146,381	136,590	97,346	88,856
Property, plant and equipment held for sale	11.b	-	-	48,031	49,235
Escrow deposits	21	25,066	25,202	48,334	52,776
Other credits and receivables		2,061	2,061	20,260	13,770
		191,718	181,819	549,606	526,189
Investments in subsidiaries	9.a	684,953	688,251	-	-
Investments in affiliated companies	9.a	21,143	17,896	21,143	17,896
Investment property	10	193,969	193,928	193,969	193,928
Other investments		3,088	3,088	4,866	8,125
Property, plant and equipment	11.a	6,813	6,813	878,288	901,300
Intangible assets	12	2	2	114,900	115,987
Total noncurrent assets		1,101,686	1,091,797	1,762,772	1,763,425
Total assets		1,104,410	1,095,155	3,280,352	3,338,866

The accompanying notes are an integral part of these interim financial statements.

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF JUNE 30, 2017 AND DECEMBER 31, 2016

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	06.30.2017	12.31.2016	06.30.2017	12.31.2016
LIABILITIES					
CURRENT:					
Loans and financing	13	99,758	107,611	709,366	626,086
Debentures	14	-	-	275	134,993
Suppliers	15	221	58	162,464	154,583
Payroll and related charges		987	814	78,620	63,896
Taxes		571	-	14,326	15,081
Income and social contribution taxes		-	-	273	1,954
Government concessions	16	-	-	16,849	17,617
Noneconomic leases	17	-	-	6,383	6,304
Payable - purchase of investment property	10	6,182	34,296	6,182	34,296
Other payables		9,926	12,174	54,055	66,071
Total current liabilities		117,645	154,953	1,048,793	1,120,881
NONCURRENT:					
Loans and financing	13	-	-	605,619	608,041
Debentures	14	-	-	48,202	-
Government concessions	16	-	-	46,683	48,744
Noneconomic leases	17	-	-	14,457	15,463
Related parties	19	179,576	113,250	583	1,632
Payable - purchase of investment property	10	58,875	64,042	58,875	64,042
Deferred income and social contribution taxes	20.c	4,044	3,801	8,939	8,737
Miscellaneous accruals	21	12,381	12,518	36,083	40,988
Employee benefit plans	22	-	-	104,693	106,010
Other obligations		22,479	26,375	11,529	10,702
Total noncurrent liabilities		277,355	219,986	935,663	904,359
EQUITY:	18				
Capital		882,236	882,236	882,236	882,236
Capital reserves		209,701	209,701	209,701	209,701
Cumulative translation adjustment		(109,349)	(110,237)	(109,349)	(110,237)
Assets and liabilities valuation adjustment		(814)	2,374	(814)	2,374
Accumulated deficit		(272,364)	(263,858)	(272,364)	(263,858)
Total equity attributable to the owners of the Company		709,410	720,216	709,410	720,216
NON-CONTROLLING INTERESTS	9.b	-	-	586,486	593,410
Total equity		709,410	720,216	1,295,896	1,313,626
Total liabilities and equity		1,104,410	1,095,155	3,280,352	3,338,866

The accompanying notes are an integral part of these interim financial statements.

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016

(In thousands of Brazilian Reais)

		Company			
	Note	04.01.2017 to 06.30.2017	01.01.2017 to 06.30.2017	04.01.2016 to 06.30.2016	01.01.2016 to 06.30.2016
OPERATING INCOME (EXPENSES):					
General and administrative expenses		(3,038)	(5,468)	(3,118)	(5,075)
Management fees		(363)	(763)	(364)	(761)
Equity in subsidiaries and affiliated companies	9.a	3,527	(1,329)	(7,737)	(23,110)
Others, net		456	1,125	149	149
		582	(6,435)	(11,070)	(28,797)
Equity in affiliated companies	9.a	7,567	3,245	(16,418)	(31,725)
INCOME (LOSS) FROM OPERATIONS		8,149	(3,190)	(27,488)	(60,522)
Financial expenses – interests		(8,050)	(15,595)	(4,827)	(9,525)
Financial expenses – bank charges and others		(1,246)	(2,579)	(844)	(1,737)
Financial income		5,876	12,044	6,654	13,259
Exchange rate variations, net		1,354	483	(7,921)	(16,069)
INCOME (LOSS) BEFORE TAXES		6,083	(8,837)	(34,426)	(74,594)
Income and social contribution taxes:					
Current	20.b	-	-	1,885	3,824
NET INCOME (LOSS) FOR THE PERIOD		6,083	(8,837)	(32,541)	(70,770)
BASIC AND DILUTED INCOME (LOSS) PER SHARE - R$	27	0.1986	(0.2884)	(1.0622)	(2.3100)

The accompanying notes are an integral part of these interim financial statements.

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016

(In thousands of Brazilian Reais)

		Consolidated			
	Note	04.01.2017 to 06.30.2017	01.01.2017 to 06.30.2017	04.01.2016 to 06.30.2016	01.01.2016 to 06.30.2016
NET REVENUES	26	641,480	1,240,486	600,427	1,287,174
COST OF GOODS SOLD	25	(482,151)	(928,782)	(444,141)	(961,376)
GROSS PROFIT		159,329	311,704	156,286	325,798
OPERATING INCOME (EXPENSES):					
Selling expenses	25	(76,888)	(150,120)	(75,504)	(154,653)
General and administrative expenses	25	(41,309)	(80,307)	(41,122)	(82,690)
Management fees	25	(3,307)	(6,288)	(2,784)	(5,741)
Equity in subsidiaries and affiliated companies	9.a	7,567	3,245	(16,942)	(32,743)
Others, net		8,820	10,477	(1,247)	(7,798)
INCOME FROM OPERATIONS		54,212	88,711	18,687	42,173
Financial expenses – interests		(43,474)	(93,080)	(52,048)	(98,392)
Financial expenses – bank charges and others		(14,885)	(29,936)	(13,037)	(28,152)
Financial income		7,755	18,118	11,186	19,221
Exchange rate variations, net		(6,491)	(5,572)	(12,119)	(31,518)
LOSS BEFORE TAXES		(2,883)	(21,759)	(47,331)	(96,668)
Income and social contribution taxes:					
Current	20.b	(733)	(1,642)	6,232	4,222
Deferred	20.b	12,319	12,119	3,350	5,787
NET INCOME (LOSS) FOR THE PERIOD		8,703	(11,282)	(37,749)	(86,659)
ATTRIBUTED TO:					
Owners of the Company		6,083	(8,837)	(32,541)	(70,770)
Non-controlling interests	9.b	2,620	(2,445)	(5,208)	(15,889)
		8,703	(11,282)	(37,749)	(86,659)

The accompanying notes are an integral part of these interim financial statements.

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016

(In thousands of Brazilian Reais)

	Company			
	04.01.2017 to 06.30.2017	01.01.2017 to 06.30.2017	04.01.2016 to 06.30.2016	01.01.2016 to 06.30.2016
NET INCOME (LOSS) FOR THE PERIOD	6,083	(8,837)	(32,541)	(70,770)
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	1,715	888	(4,630)	(11,257)
- Items that will not impact the statements of operations:				
Actuarial losses on pension plans	(34)	(29)	(70)	(158)
	-------------	-------------	-------------	-------------
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	7,764	(7,978)	(37,241)	(82,185)
	=======	=======	=======	=======

	Consolidated			
	04.01.2017 to 06.30.2017	01.01.2017 to 06.30.2017	04.01.2016 to 06.30.2016	01.01.2016 to 06.30.2016
NET INCOME (LOSS) FOR THE PERIOD	8,703	(11,282)	(37,749)	(86,659)
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	3,009	1,513	(10,668)	(23,386)
- Items that will not impact the statements of operations:				
Actuarial losses on pension plans	(64)	(55)	(132)	(298)
	-------------	-------------	-------------	-------------
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	11,648	(9,824)	(48,549)	(110,343)
	=======	=======	=======	=======
ATTRIBUTABLE TO:				
Owners of the Company	7,764	(7,978)	(37,241)	(82,185)
Non-controlling interests	3,884	(1,846)	(11,308)	(28,158)
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	11,648	(9,824)	(48,549)	(110,343)
	=======	=======	=======	=======

The accompanying notes are an integral part of these interim financial statements.

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016

(In thousands of Brazilian Reais)

	Capital	Capital reserve Tax incentives	Cumulative translation adjustment	Assets and liabilities valuation adjustments	Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
BALANCES AS OF DECEMBER 31, 2015	882,236	209,701	(101,291)	4,563	(117,335)	877,874	621,778	1,499,652
Deemed cost of affiliated company	-	-	-	(245)	245	-	-	-
Comprehensive loss:								
Net loss for the period	-	-	-	-	(70,770)	(70,770)	(15,889)	(86,659)
Exchange rate variations on foreign investments (note 2.1)	-	-	(1,903)	-	-	(1,903)	-	(1,903)
Impact of subsidiaries and affiliated companies -								
Exchange rate variations on foreign investments (note 2.1)	-	-	(9,354)	-	-	(9,354)	(12,129)	(21,483)
Actuarial loss on pension plans	-	-	-	(158)	-	(158)	(140)	(298)
Total comprehensive loss	-	-	(11,257)	(158)	(70,770)	(82,185)	(28,158)	(110,343)
Owners' contribution (distribution):								
Acquisition of shares of indirect subsidiary (note 9.a1)	-	-	-	-	(1,819)	(1,819)	(3,234)	(5,053)
Total owners' contribution (distribution)	-	-	-	-	(1,819)	(1,819)	(3,234)	(5,053)
BALANCES AS OF JUNE 30, 2016	882,236	209,701	(112,548)	4,160	(189,679)	793,870	590,386	1,384,256

The accompanying notes are an integral part of these interim financial statements.

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017

(In thousands of Brazilian Reais)

	Capital	Capital reserve Tax incentives	Cumulative translation adjustment	Assets and liabilities valuation adjustments	Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
BALANCES AS OF DECEMBER 31, 2016	882,236	209,701	(110,237)	2,374	(263,858)	720,216	593,410	1,313,626
Deemed cost of affiliated company	-	-	-	(3,159)	3,159	-	-	-
Comprehensive loss:								
Net loss for the period	-	-	-	-	(8,837)	(8,837)	(2,445)	(11,282)
Exchange rate variations on foreign investments (note 2.1)	-	-	215	-	-	215	-	215
Impact of subsidiaries and affiliated companies -								
Exchange rate variations on foreign investments (note 2.1)	-	-	673	-	-	673	625	1,298
Actuarial loss on pension plans	-	-	-	(29)	-	(29)	(26)	(55)
Total comprehensive loss	-	-	888	(29)	(8,837)	(7,978)	(1,846)	(9,824)
Owners' contribution (distribution):								
Transactions with shares of indirect subsidiary (note 9.a1)	-	-	-	-	(2,828)	(2,828)	(5,078)	(7,906)
Total owners' contribution (distribution)	-	-	-	-	(2,828)	(2,828)	(5,078)	(7,906)
BALANCES AS OF JUNE 30, 2017	882,236	209,701	(109,349)	(814)	(272,364)	709,410	586,486	1,295,896

The accompanying notes are an integral part of these interim financial statements.

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2017 to 06.30.2017	01.01.2016 to 06.30.2016	01.01.2017 to 06.30.2017	01.01.2016 to 06.30.2016
Cash flows from operating activities				
Net loss for the period	(8,837)	(70,770)	(11,282)	(86,659)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	42,588	44,589
Equity in subsidiaries and affiliated companies	(1,916)	54,835	(3,245)	32,743
Income and social contribution taxes	-	(3,824)	(10,477)	(10,009)
(Gain) loss on disposal of property, plant and equipment	-	-	(8,509)	1,916
Monetary variations	-	-	1,399	-
Exchange rate variations	(483)	16,069	5,572	13,622
Bank charges and interests	5,570	595	95,919	81,026
	(5,666)	(3,095)	111,965	77,228
Changes in assets and liabilities				
Marketable securities	-	-	(6,345)	(68,956)
Accounts receivable	-	-	(8,196)	(47,670)
Inventories	-	-	(3,624)	18,475
Advances to suppliers	(157)	(33)	2,997	3,274
Suppliers	167	5	7,184	43,885
Others	(21,222)	(5,999)	772	7,225
Net cash provided by (used in) operating activities	(26,878)	(9,122)	104,753	33,461
Interest paid	(4,818)	(4,893)	(83,525)	(85,666)
Income and social contribution taxes received (paid)	-	-	(5,898)	721
Net cash provided by (used in) operating activities after interest and taxes	(31,696)	(14,015)	15,330	(51,484)
Cash flows from investing activities				
Investments	(42)	-	(7,949)	(9,367)
Property, plant and equipment	-	-	(20,854)	(40,300)
Intangibles	-	-	(3)	(26)
Proceeds from sale of property, plant and equipment	-	-	13,772	1,416
Loans between related parties	43,989	23,329	(27,589)	(26,014)
Net cash provided by (used in) investing activities	43,947	23,329	(42,623)	(74,291)

The accompanying notes are an integral part of these interim financial statements.

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2017 to 06.30.2017	01.01.2016 to 06.30.2016	01.01.2017 to 06.30.2017	01.01.2016 to 06.30.2016
Cash flows from financing activities				
Proceeds from new loans	-	-	669,297	618,503
Repayment of loans	(12,084)	(9,292)	(694,455)	(504,661)
Net cash used in financing activities	(12,084)	(9,292)	(25,158)	113,842
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	(1,354)	(18,805)
Increase (decrease) in cash and cash equivalents	167	22	(53,805)	(30,738)
Cash and cash equivalents				
At the beginning of the period	286	470	183,420	193,668
At the end of the period	453	492	129,615	162,930
Increase (decrease) in cash and cash equivalents	167	22	(53,805)	(30,738)

The accompanying notes are an integral part of these interim financial statements.

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF VALUE ADDED

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2017 to 06.30.2017	01.01.2016 to 06.30.2016	01.01.2017 to 06.30.2017	01.01.2016 to 06.30.2016
REVENUES				
Sales of products, goods and services	-	-	1,430,719	1,474,359
Gain (loss) on disposal of property, plant and equipment	-	-	8,509	(1,916)
	-	-	1,439,228	1,472,443
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(673,472)	(691,253)
Materials, energy, third party services, and others	(2,921)	(3,639)	(232,975)	(231,728)
	(2,921)	(3,639)	(906,447)	(922,981)
GROSS VALUE ADDED	(2,921)	(3,639)	532,781	549,462
RETENTIONS				
Depreciation and amortization	-	-	(42,588)	(44,589)
NET VALUE ADDED PRODUCED BY THE COMPANY	(2,921)	(3,639)	490,193	504,873
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries and affiliated companies	1,916	(54,835)	3,245	(32,743)
Financial income	12,044	13,259	18,118	19,221
Exchange rate variation gains	4,175	6,425	6,754	(1,812)
Royalties	-	-	7,496	7,319
	18,135	(35,151)	35,613	(8,015)
TOTAL VALUE ADDED FOR DISTRIBUTION (TO RETAIN)	15,214	(38,790)	525,806	496,858
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	2,051	1,753	253,216	255,205
Taxes, duties and contributions	2,713	(1,792)	118,921	131,201
Payments to third parties	19,287	32,019	164,951	197,111
Equity – net loss	(8,837)	(70,770)	(11,282)	(86,659)
VALUE ADDED DISTRIBUTED (RETAINED)	15,214	(38,790)	525,806	496,858

The accompanying notes are an integral part of these interim financial statements.

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2017

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

Companhia de Tecidos Norte de Minas - COTEMINAS (the "Company") is a Brazilian publicly-held company, based in Montes Claros-MG, engaged in the production and marketing of yarns and fabrics in general, imports and exports, and may hold equity interest in other companies and acquire marketable securities in the capital market. The Company's shares are traded in BM&FBOVESPA – "Bolsa de Valores, Mercadorias e Futuros" (Brazilian Stocks, Commodities and Futures Exchange), under the codes "CTNM3" and "CTNM4".

The Company is the parent company of Springs Global Participações S.A. ("SGPSA"), which is the parent company of Coteminas S.A. ("CSA") and Springs Global US, Inc. ("SGUS"), companies that focus their manufacturing operations on bed and bath linens previously carried out by the Company and by Springs Industries, Inc. ("SI"), respectively. In April 2009, subsidiary SGPSA started its bed, tabletop and bath retail operations under the brand MMartan, and later, in October 2011, under the brand Artex. The retail operations, under these two flags, are operated by the indirect subsidiary AMMO Varejo Ltda. ("AMMO").

The Company is also the parent company of Oxford Comércio e Participações S.A., which is the parent company of Companhia Tecidos Santanense ("CTS"), a publicly-held company, which operates in the textile and related industries, manufacturing and marketing of clothing apparel, including professional uniforms, accessories and personal protective equipment for occupational safety.

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company's Board of Directors on August 14, 2017.

The Company presents its individual ("Company") and consolidated ("Consolidated") interim financial statements prepared simultaneously in accordance with technical pronouncement CPC 21 (R1) - Interim Financial Statements and in accordance with international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, as well as the standards issues by CVM (Brazilian Securities and Exchange Commission), applicable to the preparation of the Interim Financial Information.

The Company adopted all standards, review of standards and interpretations issued by the IASB and the CPC which were effective on June 30, 2017. All relevant information relating to the interim financial statements is included herein and corresponds to those used by Company's management in its administration.

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

The interim financial statements of each subsidiary included in the consolidation of the Company and used as a basis for valuation of investments under the equity method are prepared using the functional currency of each entity. The functional currency of an entity is the currency of the primary economic environment in which it operates. To determine the functional currency of each of its subsidiaries, Management considered which currency significantly influences the selling price of their products and services, and the currency in which most of the production cost inputs are paid or incurred. The consolidated interim financial statements are presented in Reais (R$), which is the functional and presentation currency of the Company.

b) Conversion of balances

The results and financial position of all subsidiaries included in the consolidation that have functional currencies different from the presentation currency are translated to the presentation currency as follows:

i) assets and liabilities are translated at the exchange rate prevailing on the date of the consolidated interim financial statements;

ii) income and expenses are translated at the monthly exchange rate, and

iii) all differences resulting from the translation are recognized in equity under the caption "Cumulative translation adjustment" and are presented as other comprehensive income in the statement of comprehensive income.

2.2 – Accounting policies

The significant accounting policies used in the preparation of the interim financial statements are as follows:

(a) Results of operations--Results of operations are calculated in accordance with the accrual basis of accounting. Revenue is not recognized if there is significant uncertainty regarding its realization. Interest income and expense are recognized using the effective interest rate as financial income and expenses in the statements of operations. The extraordinary gains and losses and the transactions and provisions involving property, plant and equipment are recorded in the statements of operations as "Others, net ".

(b) Non-derivatives financial instruments--Non-derivative financial instruments include cash and cash equivalents, marketable securities, accounts receivable and other current and noncurrent receivables, loans and financing, suppliers, other accounts payable and other equity and debt instruments. The non-derivative financial instruments are initially recognized at fair value plus costs directly attributable to their acquisition or issuance. Subsequent to the initial recognition, non-derivative financial instruments are measured at each balance sheet date, according to their classification, which is defined in the initial recognition based on the purposes for which they were acquired or issued.

The financial instruments classified as assets fall into the category "Loans and receivables" and together with the financial liabilities, after their initial recognition at fair value, are measured based on amortized cost using the effective interest rate method. Interest, monetary and exchange rate variations, less impairment losses, if any, are recognized as income or expense in the statements of operations as incurred.

The Company does not have any non-derivative financial assets classified in the following categories: (i) held for trading, (ii) held to maturity, and (iii) available for sale, and also does not have any non-derivative financial liabilities classified as "Fair value through profit or loss”.

(c) Derivative financial instruments--Derivative financial instruments are initially recognized at fair value and, subsequently, the change in fair value is recorded in the statements of operations, unless the derivative is designated as a cash flow hedge, which should follow the method of accounting for cash flow hedges.

A derivative financial instrument is classified as a cash flow hedge when its purpose is to protect against exposure to cash flow variability that is attributable both to a particular risk associated with a recognized asset or liability, as well as to a transaction that is probable to occur, or to exchange rate risk related to an unrecognized firm commitment.

When initiating a derivative transaction intended to hedge a risk, the Company formally designates and documents the hedged item, as well as the objective of the risk policy and strategy of the hedge transaction. The documentation includes identification of the hedging instrument, the item or transaction being hedged, the nature of the risk to be protected and how the entity will assess the effectiveness of the hedging instrument in offsetting the exposure to changes in fair value of the hedged item or cash flows attributable to the hedged risk. The purpose is that these hedging instruments are effective to offset changes in fair value or cash flows and are assessed on an ongoing basis to determine if they have been actually effective throughout the period for which they were designated.

The effective portion of gain or loss on change in fair value of the hedging instrument is recognized directly in equity in the caption “Assets and liabilities valuation adjustments”, while any ineffective portion is recognized immediately as income or expense in the statements of operations.

The amounts classified in equity as asset and liability valuation adjustment are reflected in the statements of operations in the period in which the hedged item affects the results, by adjusting the value of the hedged expense.

If the firm commitment is no longer expected to occur, amounts previously recognized in equity are reclassified to profit or loss. If the hedged instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognized in equity are reclassified to profit or loss.

(d) Cash and cash equivalents--Includes cash, deposits, cash in transit and short-term investments with immediate liquidity and original maturities of 90 days or less (or without fixed maturity), which are subject to an insignificant risk of change in its value. Cash and cash equivalents are classified as non-derivative financial assets measured at amortized cost and interest earned is recognized in the statements of operations of the period.

(e) Marketable securities--Represented by amounts of immediate liquidity with maturities of more than 90 days and are subject to an insignificant risk of change in their value. Marketable securities are classified as non-derivative financial assets measured at amortized cost and interest earned is recognized in the statements of operations of the period.

(f) Accounts receivable and allowance for doubtful accounts--Accounts receivable from customers are presented net of the allowance for doubtful accounts, which is determined based on a credit risk analysis, in an amount considered sufficient by Management to cover possible losses on receivables. Accounts receivable arising from retail sales are adjusted at present value, based on the market interest rates or the transaction interest rate. Current accounts receivable are adjusted whenever effects are significant. Accounts receivable from customers are classified as non-derivative financial assets measured at amortized cost.

(g) Inventories--Valued at average acquisition or production cost, which is lower than net realizable value and are stated net of provision for losses on discontinued and/or obsolete items. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion of manufacturing and directly related selling expenses.

(h) Property, plant and equipment held for sale--Includes out-of-use machinery and equipment measured at fair value less selling expenses, when this amount is lower than net book value.

(i) Investments--Investments in subsidiaries and affiliated companies are accounted for using the equity method based on the balance sheet of the subsidiaries as of the same date as the Company's balance sheet. The value of the equity of foreign subsidiaries is converted into Reais based on the current rate of its functional currency and the foreign exchange rate variation is recorded in "Cumulative translation adjustment" in equity and presented as comprehensive income.

(j) Business combinations--The cost of the acquired entity is allocated to the acquired assets and liabilities, based on their estimated fair value at the acquisition date. Any difference between the entity's cost and the fair value of the acquired assets and liabilities is recognized as goodwill.

(k) Research and development expenses--Are recognized as expenses when incurred.

(l) Leases--Operating leases are recognized as expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the timing of future economic benefits. Contingent leases, related to either capital or operating leases, are recognized in the statements of operations when incurred. Indirect subsidiary SGUS records an accrual for unrecoverable lease costs based on the estimated present value of future lease obligations (whose contracts are still valid after the closing of the leased facilities), net of existing sublease income and estimated sublease income for closed facilities which were not yet subleased.

(m) Property, plant and equipment--Recorded at acquisition or construction cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets. Expenses incurred that increase the value and extend the estimated useful lives of the assets are capitalized; maintenance and repairs are recorded as expenses when incurred. The estimated useful life of property, plant and equipment is as follows:

	Useful life
Buildings	40 years
Installations	15 years
Machinery and equipment	15 years
Hydroelectric Plant - Porto Estrela	35 years
Furniture and fixtures	10 years
Vehicles	5 years
Computers and peripherals	5 years

The residual value and useful life of the assets are assessed by Management at least at the end of each period.

(n) Intangible assets--Represented by trademarks acquired, store locations and goodwill on companies acquired. Intangible assets with finite useful lives are amortized using the straight line method, over their estimated useful lives. Intangible assets with indefinite useful lives are tested for impairment annually, or as deemed necessary, in order to determine the recoverability of their net book values.

(o) Impairment of assets--Assets included in property, plant and equipment, intangible assets, and other noncurrent assets are tested for impairment annually, or when circumstances indicate that the net book value may not be recoverable. When impairment is required, it is recognized in the statements of operations. Previous period impairment losses on fixed assets may be reversed whenever there is an assessment or reliable evidence that the value of the asset has recovered. The reversal is recognized in the statement of operations to the extent it does not exceed the previously recognized impairment losses.

(p) Income and social contribution taxes--The provision for income and social contribution taxes is calculated at the rate of approximately 34% on taxable income and is recognized net of the portion related to the income tax exemption. The accrual balance is net of prepayments made during the period, if applicable. For foreign subsidiaries, the tax rate ranges from 35% to 38%, according to the tax legislation of each country.

(q) Deferred income and social contribution taxes--Deferred income and social contribution taxes are recognized on net operating losses and temporary differences arising from provisions stated in the accounting records, which, according to the tax rules, will only be considered deductible or taxable when realized. A deferred tax asset is recognized only when there is an expectation of future taxable income.

(r) Miscellaneous accruals--Recorded at an amount considered sufficient by Management to cover probable losses. The escrow deposits related to the accruals are presented in noncurrent assets.

(s) Employee benefit plans--Pension plans and postretirement benefit costs are recognized on an accrual basis, based on actuarial calculations. Actuarial gains and losses are recognized in “Assets and liabilities valuation adjustment” when incurred.

(t) Basic and diluted earnings (loss) per share--Basic earnings (loss) per share is calculated by dividing the income or loss for the period attributable to the Company’s shareholders by the weighted average number of outstanding shares. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of outstanding shares assuming conversion of potential shares to be issued. The Company did not identify any potential issuance of new shares and, therefore, a potential dilution in earnings (loss) per share.

(u) Monetary and exchange rate variations--Assets and liabilities subject to monetary or exchange rate variations are restated on the balance sheet dates, in accordance with the Brazilian Central Bank (BACEN) published rates or other contractual indices. Exchange gains and losses and monetary variations are recognized in the statements of operations for the period incurred, except for the exchange gains and losses on investments in foreign subsidiaries, which are recognized in “Cumulative translation adjustment” in equity.

(v) Revenue recognition--Revenue is measured at fair value of the consideration received or receivable, less any estimates of returns, cash discounts and/or unconditional trade discounts given to the buyer and other similar deductions. Revenue from product sales is recognized when all the following conditions are met: (i) the Company transferred to the buyer the significant risks and rewards related to ownership of the products; (ii) the Company does not maintain continuing involvement in the management of goods sold in a degree usually associated with ownership or effective control over such products; (iii) the amount of revenue can be reliably measured; (iv) it is probable that the economic benefits associated with the transaction will flow to the Company; and (v) costs incurred or to be incurred related to the transaction can be measured reliably.

(w) Statements of Value Added ("DVA")--The purpose of these statements is to highlight the wealth created by the Company and its distribution over a given period. They are presented by the Company as required by the Brazilian Corporate Law, as part of its individual interim financial statements and as supplemental information for the consolidated interim financial statements, since it is not a statement provided nor required by IFRS standards. The DVAs have been prepared based on information obtained from accounting records that are the basis for the preparation of the interim financial statements.

(x) Owners of the Company and non-controlling interests--In the interim financial statements, "owners of the Company" represents all the shareholders of the Company and "non-controlling interests" represents the minority interest of the Company's subsidiaries.

2.3 – Use of estimates

The preparation of interim financial statements makes use of estimates in order to record certain assets, liabilities and other transactions. To make these estimates, Management used the best information available at the time of preparation of the interim financial statements, as well as the experience of past and/or current events, also considering estimates regarding future events. Therefore, the interim financial statements include estimates related mainly to the determination of useful lives of property, plant and equipment, estimated recoverable value of noncurrent assets, provisions necessary for tax, civil and labor liabilities, determination of provisions for income tax, determination of fair value of financial instruments (assets and liabilities) and others, estimates related to the selection of interest rate, expected return on assets and the choice of mortality table and expected wage increases applied to the actuarial calculations. Actual results of transactions and information could differ from the estimates.

2.4 – Consolidation criteria

The consolidated interim financial statements include the accounts of the Company and the following subsidiaries:

	Direct and indirect interest in total capital - %	
	06.30.2017	12.31.2016
Coteminas International Ltd.	100.00	100.00
Coteminas (Argentina Branch)	100.00	100.00
Springs Global Participações S.A.	52.92	52.92
Oxford Comércio e Participações S.A.	63.37	63.37
Companhia Tecidos Santanense	56.51	56.51

The consolidation of the balance sheet and statement of operations accounts corresponds to the sum of assets, liabilities, revenues and expenses, according to their nature, after eliminating investments in subsidiaries, unrealized profits and intercompany balances and transactions. The effect of the exchange rate variations on foreign investments is disclosed in a separate caption in the statement of changes in equity, "Cumulative translation adjustment". The foreign subsidiaries' accounting practices were adjusted to comply with the Company’s accounting practices. Non-controlling interests were presented separately in the statements of operations and equity.

The subsidiary SGPSA, parent company of CSA, SGUS and AMMO, with ownership interest of 100%, was included in consolidation based on its consolidated interim financial statements.

The subsidiary Oxford Comércio e Participações S.A., parent company of CTS, with ownership interest of 85.9%, was included in consolidation based on its consolidated interim financial statements.

The interim financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of June 30, 2017 and December 31, 2016 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2017	2016	Variance
Exchange rate as of:			
December 31	-	3.2591	-
June 30	3.3082	3.2098	3.1%
Average exchange rate:			
June 30 (3 months)	3.2501	3.4186	(4.9%)
June 30 (6 months)	3.1908	3.6395	(12.3%)

2.5 – New IFRS, revised IFRS and IFRIC interpretations (IASB International Financial Reporting Interpretations Committee).

a) Certain new IASB accounting pronouncements and IFRIC interpretations were published and/or revised and have their mandatory adoption for the annual periods beginning on or after January 1, 2017. These new pronouncements did not generate significant impact on the interim financial statements.

Standard	Main requirements
Amendments to IAS 12 — Recognition of deferred tax assets for unrealized losses (*)	The amendments clarify that unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Standard	Main requirements
Disclosure Initiative (Amendments to IAS 1) (*)	Entities should disclose the following changes in liabilities arising from financing activities (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition. The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.
Annual Improvements to IFRSs: 2014–2016 Cycle (*)	Amendments to several standards.

b) Certain new IASB accounting pronouncements and IFRIC interpretations were published and/or revised and have their mandatory adoption for the periods beginning after December 31, 2017. However, the early adoption of these new and revised standards and interpretations was not allowed:

Standard	Main requirements	Effective date
IFRS 9, Financial Instruments (issued July 24, 2014) (*)	IFRS 9 (2014) was issued as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This amendment completes the IASB's financial instruments project.	Effective for annual periods beginning on or after January 1, 2018.
IFRS 15, Revenue From Contracts With Customers (issued May 28, 2014)	The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The standard specifies how and when an entity will recognize revenue through a single five-step model to be applied to all contracts with customers, and requires such entities to provide users of financial statements with more informative and relevant disclosures.	Effective for annual periods beginning on or after January 1, 2018.
Effective Date of Amendments to IFRS 10 and IAS 28 (issued December 17, 2015) (*)	The effective date of the amendments to IFRS 10 and IAS 28, which address how an entity determines any gain or loss related to transactions with an associate or joint venture was indefinitely deferred by the IASB.	The effective date is postponed to an indefinite date to be determined by the IASB.

Standard	Main requirements	Effective date
Amendments to IAS 40, Transfers of investment property (*)	Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.	Effective for annual periods beginning on or after January 1, 2018.
IFRS 16 – Leases (*)	The standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations.	Effective for periods beginning on or after 1 January 2019.

(*) The CPC has not yet issued the statements and changes corresponding to the new and revised IFRS and the IFRIC discussed earlier. Due to the commitment of the CPC and the CVM to maintain an updated set of standards issued based on the updates made by the IASB, it is expected that these pronouncements and changes will be edited by the CPC and approved by the CVM before the date of its mandatory application.

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	06.30.2017	12.31.2016	06.30.2017	12.31.2016
Repurchase transactions (*)	389	-	58,046	54,645
Foreign exchange funds (US$)	-	-	5,202	1,970
Foreign deposits	-	-	60,600	122,599
Checking accounts deposits	64	286	5,767	4,206
	----------	----------	----------	----------
	453	286	129,615	183,420
	======	======	======	======

(*) Income from financial investments ranges from 90% to 100% of the rates earned on Interbank Deposit Certificate – CDI.

4. MARKETABLE SECURITIES

	Consolidated	
	06.30.2017	12.31.2016
Fixed income – Foreign	8,248	6,806
Investment fund – (US$)	47,587	37,026
Restricted deposits (US$) (2)	63,404	62,057
Restricted cash (1)	608	599
	---------	---------
	119,847	106,488
Current	(56,443)	(44,431)
	---------	---------
Noncurrent	63,404	62,057
	=======	=======

(1) On June 30, 2017, the indirect subsidiary SGUS had restricted cash in financial institutions in the amount of US$184 thousand (US$184 thousand as of December 31, 2016) related to a compensating balance arrangement.

(2) Refers to foreign deposits, linked to the loan obtained from Santander S.A. The yield is 1.3% per annum and the deadline for redemption coincides with the terms of the loan.

5. ACCOUNTS RECEIVABLE

	Consolidated	
	06.30.2017	12.31.2016
Domestic customers	467,736	477,167
Foreign customers	154,676	138,525
Credit card companies	3,389	8,120
Related parties		
Domestic market	2,740	2,111
Foreign market	3,013	2,331
	-----------	-----------
	631,554	628,254
Allowance for doubtful accounts	(35,824)	(35,865)
	-----------	-----------
	595,730	592,389
	======	======

Accounts receivable from customers consist of receivables with an average collection period of approximately 76 days (71 days as of December 31, 2016). Past-due amounts are not significant and the allowance for doubtful accounts is considered by Management sufficient to cover expected losses from these receivables.

The aging list of the consolidated accounts receivable was presented in the annual financial statements for the year ended December 31, 2016. There was no significant change in the composition of the aging list during the six-month period ended June 30, 2017. Changes in the consolidated allowance for doubtful accounts are as follows:

	06.30.2017	12.31.2016
Balance at the beginning of the period	(35,865)	(38,567)
Additions	(14)	(5,143)
Write-offs	124	7,039
Exchange rate variation	(69)	806
	-------------	-------------
Balance at the end of the period	(35,824)	(35,865)
	=======	=======

6. INVENTORIES

	Consolidated	
	06.30.2017	12.31.2016
Raw materials and supplies	128,200	147,139
Work in process	179,740	165,541
Finished products	263,210	251,623
Repair parts	64,330	66,712
	------------	------------
	635,480	631,015
	=======	=======

Inventories are presented net of the provision for losses, which, based on Management's assessment, is considered sufficient to cover losses in the realization of discontinued or obsolete inventories. Changes in the provision for losses are as follows:

	12.31.2016	Additions (Write-offs)	Exchange rate variations	06.30.2017
Raw materials and supplies	(1,246)	-	-	(1,246)
Finished products	(9,194)	3,293	(13)	(5,914)
Repair parts	(2,994)	-	14	(2,980)
	-------------	-------------	-------------	-------------
	(13,434)	3,293	1	(10,140)
	=======	=======	======	======

	12.31.2015	Additions (write-offs)	Exchange rate variations	06.30.2016
Raw materials and supplies	(1,313)	-	-	(1,313)
Finished products	(10,243)	(2,783)	2,028	(10,998)
Repair parts	(1,465)	-	17	(1,448)
	-------------	-------------	-------------	-------------
	(13,021)	(2,783)	2,045	(13,759)
	=======	=======	=======	=======

7. RECEIVABLE – CLIENTS

	Consolidated	
	06.30.2017	12.31.2016
Clients in out-of-court recovery plan (a)	18,593	21,545
Financing on stores transfer (b)	10,076	9,084
Clients in out-of-court recovery plan (c)	316	-
Installment plan agreed with clients (d)	2,081	-
	------------	------------
	31,066	30,629
Current (Other receivables)	(6,840)	(6,341)
	------------	------------
Noncurrent	24,226	24,288
	======	======

(a) The receivables of clients in out-of-court recovery plan were settled in 84 equal monthly payments with interest equivalent to 80% of the Interbank Deposit Certificates – CDI rate, with payment beginning in January 2017.

(b) Financing on store transfers to franchisees, with payment in equal monthly installments, and adjusted based on the IGP-M (general market price index).

(c) Payment in 25 equal monthly installments.

(d) Payment in 20 semiannual installments including a grace period of 42 months before the first payment in March, 2020, with interest of 0.5% per year plus Reference Rate (TR).

8. RECEIVABLE – SALE OF PROPERTY

In May 2015, the indirect subsidiary CSA sold real estate located in the city of Montes Claros - MG, to the municipality, for R$48,000, to be received in 12 monthly installments of R$1,000 each, plus 24 monthly installments of R$1,500 each, adjusted for inflation using the “IGP-M” from the date the agreement was signed and including a grace period of 12 months before the first payment. This agreement, in which the property transfer registration contained a pro-solvency clause, was signed with the Municipal Executive Branch after express consent of the Legislative Branch of that municipality. The Executive Branch came into possession of the property and began its retrofit projects. The indirect subsidiary CSA has a guarantee for the installments, through revenue and quotas of the Municipality Participation Fund – “FPM”.

In January 2017, the newly appointed Executive Branch of Montes Claros municipality created a working group to reassess the economic and qualitative benefits of the project, so that together a new condition for payment of the contract is established, in light of the current financial situation of the municipality.

As of June 30, 2017, there were 14 past due installments classified as non-current assets, based on the current financial situation of the Municipality and also the possibility of extending the terms of the receivable. Management of the Company, based on the opinion of its legal advisors and a recent update of the market value of the property, concluded that, currently, losses are not expected on this receivable, either by changing the payment conditions or by repossessing the property. On June 30, 2017, there was no change in the situation described above.

9. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

a. Investments attributable to the owners of the Company:

	Equity	Ownership interest - %	Net income (loss)	Total investments 06.30.2017	Total investments 12.31.2016	Equity in subsidiaries and affiliated companies 06.30.2017	Equity in subsidiaries and affiliated companies 06.30.2016
Investments in subsidiaries:							
Springs Global Participações S.A. (1)	1,009,842	52.92	(9,162)	534,362	541,396	(4,848)	(16,614)
Oxford Comércio e Participações S.A.	214,018	63.37	3,087	135,624	133,665	1,957	(1,944)
Coteminas International Ltd.	9,829	100.00	1,496	9,829	8,120	1,496	(4,463)
Companhia Tecidos Santanense	250,886	2.07	3,464	5,193	5,122	72	(77)
Coteminas (Argentina branch)	(55)	100.00	(6)	(55)	(52)	(6)	(12)
				------------	------------	------------	------------
Total subsidiaries				684,953	688,251	(1,329)	(23,110)
				=======	=======	------------	------------
Investments in affiliated companies (direct):							
Cantagalo General Grains S.A.	(168,990)	27.50	(39,583)	-	-	-	(16,625)
Companhia de Fiação e Tecidos Cedro e Cachoeira	69,549	30.40	10,674	21,143	17,896	3,245	(15,100)
				------------	------------	-------------	-------------
Total affiliated companies				21,143	17,896	3,245	(31,725)
						-------------	-------------
Investments in affiliated companies (indirect):							
Cantagalo General Grains S.A.	(168,990)	1.68	(39,583)	-	-	-	(1,018)
				------------	------------	-------------	-------------
Total affiliated companies - Consolidated				21,143	17,896	3,245	(32,743)
				=======	=======	=======	=======

(1) In January and April 2017, indirect subsidiary SGUS purchased shares from the minority shareholder of Springs Canada Holdings, increasing its ownership percentage from 93.8% to 96.9%, in the amount of R$7,906. In 2016, indirect subsidiary SGUS purchased shares from the minority shareholder of Springs Canada Holdings, increasing its ownership percentage from 87.5% to 93.8%, in the amount of R$17,344 (R$5,053 six-month period).

b. Non-controlling interests of the Company's subsidiaries:

	Equity	Ownership interest - %	Net income (loss)	Non-controlling interest – On subsidiaries' equity 06.30.2017	On subsidiaries' equity 12.31.2016	On subsidiaries' net income (loss) 06.30.2017	On subsidiaries' net income (loss) 06.30.2016
Springs Global Participações S.A.	1,009,842	47.08	(9,162)	475,480	481,740	(4,314)	(14,783)
Oxford Comércio e Participações S.A.	214,018	36.63	3,087	78,394	77,263	1,130	(1,124)
Companhia Tecidos Santanense	250,886	12.02	3,464	30,157	29,739	417	(449)
Springs Canada Holdings, LLC	78,556	3.13	1,082	2,455	4,668	322	467
				-----------	-----------	------------	------------
Total non-controlling interests				586,486	593,410	(2,445)	(15,889)
				=======	=======	=======	=======

c. Supplemental information on investments in affiliated companies:

	Cantagalo General Grains S.A. IAS 16 complete (1.a)	Cantagalo General Grains S.A. (1)		Companhia de Fiação e Tecidos Cedro e Cachoeira (2)	
	06.30.2017	06.30.2017	12.31.2016	06.30.2017	12.31.2016
Current assets	415,037	415,037	388,824	265,621	208,059
Noncurrent assets	2,023,761	885,841	895,698	316,414	319,165
Total assets	2,438,798	1,300,878	1,284,522	582,035	527,224
Current liabilities	1,295,912	1,295,912	648,015	303,712	275,207
Noncurrent liabilities	444,418	202,291	776,338	188,445	174,493
Total liabilities	1,740,330	1,498,203	1,424,353	492,157	449,700
Equity – Company	617,542	(168,990)	(125,795)	69,548	58,875
Net revenues (six-month periods)	193,121	193,121	2,106,822	298,026	225,662
Loss for the period – Company	(39,583)	(39,583)	(60,454)	12,355	(49,671)

(1) Cantagalo General Grains S.A. – Cantagalo General Grains S.A. is a private company, based in Avenida Magalhães de Castro, 4800, 11th floor, Suite 2, city of São Paulo - SP, incorporated on October 25, 2010 with the objective of growing soybeans, corn, cotton and other grains; production of seeds and certified seeds, seedling and other forms of certified plant propagation; earthworking, farming and harvesting; production of fertilizers; trading of agricultural products in domestic and foreign markets (import and export), especially vegetables grains and its by-products, fertilizers, its raw materials and other by-products, and pesticides among other similar activities. It has investments in subsidiaries and jointly-owned subsidiaries, in Tropical Empreendimentos e Participações Ltda., Siqueira Empreendimentos e Participações Ltda., CGG Trading S.A. and Belarina Alimentos S.A.

(1.a) Complete application of IAS 16 by affiliated companies – As of June 30, 2017, the affiliated company Cantagalo General Grains S.A.'s shareholders' equity was a deficit of R$168,990, calculated in accordance with IFRS, IASB and also Brazilian accounting practices, which do not allow the complete adoption of IAS 16 - Property, plant and equipment, which provides for the possibility of valuation of property, plant and equipment at market values.

As of June 30, 2017, Cantagalo General Grains S.A. had a portfolio of four tracts of land under its control, being Fazenda Siqueira (Brasnorte - MT), Fazenda Tropical (Barra Grande do Ribeiro - PI), Fazenda Acreúna (Acreúna - GO) and Fazenda Maria da Cruz (Pedras de Maria da Cruz - MG).

CGG Trading S.A., the subsidiary of Cantagalo General Grains S.A., on the same date, had a concession for the operation of the Tegram port terminal located in the port of Itaqui - MA, and the future economic benefits of this investment significantly exceed its acquisition price.

As permitted by IAS 16 - Property, plant and equipment, this subsidiary, through an independent consulting firm with expertise in valuation, as of December 31, 2016, determined the market value of its farms and the concession for the operation of the port terminal owned by its subsidiary, which totalled R$1,612,345, resulting in an increase of R$1,137,920 of these assets when compared to their historical book values, and an increase in shareholders' equity of R$786,532, net of taxes and non-controlling interests (direct investors in CGG Trading S.A.).

If the complete application of IAS 16 were accepted in Brazil, the effect on the affiliated company's equity would be an increase of R$786,532 and, consequently, the direct and indirect investment of the Company in this affiliate would be an added value of R$192,803 (R$181,703 in the direct investment and R$11,100 in the indirect investment).

(2) Companhia de Fiação e Tecidos Cedro e Cachoeira – is based in Belo Horizonte, Minas Gerais, established on August 12, 1872 and is a publicly-held company, which operates in the textile and related industries; manufacturing and marketing of clothing apparel, including professional uniforms; accessories and personal protective equipment for occupational safety; the export and import of products related to its operations and in the agricultural, livestock and forestry businesses, as well as the generation, distribution and transmission of electricity for its own consumption, however, it can sell the surplus power not used.

10. INVESTMENT PROPERTY

The consolidated investment property balances are as follows:

	Fazenda Tropical (1)			
	Investment properties	Buildings and installations	Investment properties (2)	Total
Balance as of December 31, 2016	131,517	12,411	50,000	193,928
Additions	41	-	-	41
	------------	------------	------------	------------
Balance as of June 30, 2017	131,558	12,411	50,000	193,969
	=======	=======	======	======

(1) In October 2016, the Company purchased a property named Fazenda Tropical, located in Baixa Grande do Ribeiro, in the state of Piauí, with 26,949 hectares, from its affiliated company Cantagalo General Grains in the total amount of R$143,928, to be paid as follows:

	Fazenda Tropical	
	30.06.2017	31.12.2016
Purchase price	143,928	143,928
Amount paid	(80,148)	(45,791)
Exchange rate variation over amount paid	-	(268)
Interest expense	1,277	469
	------------	------------
Total	65,057	98,338
Current	(6,182)	(34,296)
	------------	------------
Noncurrent	58,875	64,042
	=======	=======

The outstanding payable balance includes the transfer of a loan obtained from Banco do Nordeste do Brasil, the transfer is still in progress, to be paid in 9 annual installments in the amount of R$5,258, plus interest of 3.53% per annum. The financing is guaranteed by the purchased property.

(2) The Company made an advance for investment in land in the city of Montes Claros – MG, with 214 thousand square meters from its indirect affiliate Encorpar Empreendimentos Imobiliários. This land completes a contiguous area already owned by the Company, totaling 549 thousand square meters.

11. PROPERTY, PLANT AND EQUIPMENT AND PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

a. Property, plant and equipment

Consolidated balances of property, plant and equipment are as follows:

	Rate (i) %	06.30.2017 Cost	06.30.2017 Accumulated depreciation	06.30.2017 Net book value	12.31.2016 Net book value
Land and improvements	3.5	42,983	(9,461)	33,522	35,452
Buildings	2.4	465,419	(195,975)	269,444	269,931
Installations	5.4	286,434	(194,645)	91,789	94,850
Machinery and equipment	5.8	1,332,219	(961,588)	370,631	382,772
Hydroelectric Plant - Porto Estrela (ii)	3.8	37,587	(15,873)	21,714	22,428
Power plants (PCH)	4.1	18,160	(9,237)	8,923	8,844
Furniture and fixtures	9.6	47,396	(33,666)	13,730	13,992
Vehicles	18.4	15,247	(13,435)	1,812	2,068
Computers and peripherals	14.8	59,239	(55,449)	3,790	4,252
Construction in progress	-	56,120	-	56,120	59,262
Others	10.2	145,031	(138,218)	6,813	7,449
		2,505,835	(1,627,547)	878,288	901,300

(i) Weighted average annual depreciation rate, excluding fully depreciated items.
(ii) See note 16.

Considering the operating profitability and cash generation, the Company and its subsidiaries concluded that there is no evidence of deterioration or failure to recover the balances held as property, plant and equipment.

Changes in consolidated property, plant and equipment are as follows:

Cost:

	12.31.2016	Additions	Disposals	Transfers	Exchange rate variations	06.30.2017
Land and improvements	44,582	596	(2,041)	-	(154)	42,983
Buildings	481,090	4	(32,183)	17,101	(593)	465,419
Installations	284,895	162	(574)	2,133	(182)	286,434
Machinery and equipment	1,335,694	3,803	(21,596)	13,764	554	1,332,219
Hydroelectric Plant - Porto Estrela	37,584	3	-	-	-	37,587
Power plants (PCH)	17,807	352	-	1	-	18,160
Furniture and fixtures	47,436	318	(1,456)	963	135	47,396
Vehicles	17,919	278	(2,487)	(495)	32	15,247
Computers and peripherals	61,945	708	(3,093)	(954)	633	59,239
Construction in progress	59,262	14,604	(72)	(17,652)	(22)	56,120
Others	143,042	26	(20)	-	1,983	145,031
	2,531,256	20,854	(63,522)	14,861	2,386	2,505,835

Accumulated depreciation:

	12.31.2016	Additions	Disposals	Transfers	Exchange rate variations	06.30.2017
Land and improvements	(9,130)	(915)	578	-	6	(9,461)
Buildings	(211,159)	(5,342)	27,694	(7,682)	514	(195,975)
Installations	(190,045)	(5,151)	465	8	78	(194,645)
Machinery and equipment	(952,922)	(26,610)	18,418	168	(642)	(961,588)
Hydroelectric Plant - Porto Estrela	(15,156)	(717)	-	-	-	(15,873)
Power plants (PCH)	(8,963)	(274)	-	-	-	(9,237)
Furniture and fixtures	(33,444)	(1,132)	1,070	(16)	(144)	(33,666)
Vehicles	(15,851)	(488)	2,439	499	(34)	(13,435)
Computers and peripherals	(57,693)	(813)	2,690	1,018	(651)	(55,449)
Others	(135,593)	(642)	-	-	(1,983)	(138,218)
	(1,629,956)	(42,084)	53,354	(6,005)	(2,856)	(1,627,547)

Cost:

	12.31.2015	Additions	Disposals	Transfers	Exchange rate variations	06.30.2016
Land and improvements	68,494	584	(4,702)	-	(1,721)	62,655
Buildings	485,985	8	-	1,729	(7,753)	479,969
Installations	284,545	12	(175)	2,713	(2,344)	284,751
Machinery and equipment	1,333,726	6,404	(1,948)	33,890	(23,809)	1,348,263
Hydroelectric Plant - Porto Estrela	37,552	32	-	-	-	37,584
Power plants (PCH)	17,236	560	(2)	23	-	17,817
Furniture and fixtures	52,732	823	(566)	633	(2,201)	51,421
Vehicles	18,936	142	(128)	(23)	(1,152)	17,775
Computers and peripherals	68,415	445	(353)	179	(7,963)	60,723
Construction in progress	67,066	31,289	(280)	(39,133)	(386)	58,556
Others	169,053	1	(319)	-	(27,608)	141,127
	2,603,740	40,300	(8,473)	11	(74,937)	2,560,641

Accumulated depreciation:

	12.31.2015	Additions	Disposals	Transfers	Exchange rate variations	06.30.2016
Land and improvements	(23,278)	(3,125)	2,838	-	51	(23,514)
Buildings	(207,107)	(5,374)	-	-	6,389	(206,092)
Installations	(180,897)	(5,272)	129	(410)	857	(185,593)
Machinery and equipment	(950,446)	(25,599)	1,657	9	20,047	(954,332)
Hydroelectric Plant - Porto Estrela	(13,722)	(717)	-	-	-	(14,439)
Power plants (PCH)	(8,422)	(138)	2	(9)	-	(8,567)
Furniture and fixtures	(34,738)	(1,540)	398	(13)	1,927	(33,966)
Vehicles	(16,092)	(505)	128	8	1,085	(15,376)
Computers and peripherals	(63,931)	(1,078)	346	(6)	7,821	(56,848)
Others	(160,036)	(689)	114	410	27,593	(132,608)
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	(1,658,669)	(44,037)	5,612	(11)	65,770	(1,631,335)
	========	========	========	========	========	========

b. Property, plant and equipment held for sale

The Company’s subsidiaries identified assets that were removed from operations and considered held for sale. These assets include machinery and equipment removed as a result of the modernization of the Brazilian subsidiary manufacturing facilities and machinery and equipment from the American subsidiary manufacturing facilities that were shut down. Additionally, the equipment available for sale from the readjustment of productive capacities was also included in this category. These assets were measured at the lower of the net book value or market value, resulting in the recognition of probable impairment losses (reduction of recoverable value).

As a result of this analysis, the recoverable value of R$48,031 (R$49,235 as of December 31, 2016) was presented in noncurrent assets under “Property, plant and equipment held for sale”, and, consequently, removed from the table above, based on its net book value.

Changes in property, plant and equipment held for sale are as follows:

	12.31.2016	Additions	Disposals	Transfers to/from PP&E held for sale	Exchange rate variations	06.30.2017
Cost	448,763	440	(5,745)	(14,861)	5,016	433,613
Depreciation	(357,329)	(504)	2,760	6,005	(4,124)	(353,192)
Provision for losses	(42,199)	(74)	10,441	-	(558)	(32,390)
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	49,235	(138)	7,456	(8,856)	334	48,031
	======	======	======	======	======	======

12. INTANGIBLE ASSETS

	Consolidated 06.30.2017	Consolidated 12.31.2016
Goodwill on the acquisition of North American companies	37,561	36,821
Goodwill on the acquisition of AMMO	27,303	27,303
Trademarks – owned	16,337	16,334
Trademarks – use license (*)	10,649	11,373
Store locations (real estate intangible)	23,032	24,136
Others	18	20
	-----------	-----------
Total	114,900	115,987
	======	======

(*) Trademarks – use license: Represents the licensing of the use of the trademark "Santista" in Argentina and it is amortized over the term of the contract in 15 years.

The Company and its subsidiaries evaluate the recoverability of goodwill on investments annually and use accepted market practices, such as discounted cash flow for business units that have goodwill. Recoverability of goodwill is evaluated based on analysis and identification of facts and circumstances that could require the tests to be performed at an earlier date. If a fact or circumstance indicates that the recoverability of goodwill is affected, then the test is anticipated.

The projection period for the December 2016 cash flows was five years. The assumptions used to determine the fair value through the discounted cash flow method include: cash flow projections based on management estimates for future cash flows, discount rates and growth rates for determining the perpetuity. Additionally, the perpetuity has been calculated considering the stabilization of operating margins, working capital and investments levels.

The annual discount rate used was 13.3% and the perpetuity growth rate considered was 3% per year, for both indirect subsidiary SGUS goodwill in the acquisition of North American companies and for the subsidiary SGPSA goodwill in the acquisition of AMMO. The discount rates used were determined taking into consideration market information available on the test date.

Changes in consolidated intangible assets for the period were as follows:

	12.31.2016	Additions (disposals)	Amortization	Exchange rate variations	06.30.2017
Goodwill on the acquisition of North American companies	36,821	-	-	740	37,561
Goodwill on the acquisition of AMMO	27,303	-	-	-	27,303
Trademarks – owned	16,334	3	-	-	16,337
Trademarks – use license	11,373	-	(386)	(338)	10,649
Store locations (real estate intangible)	24,136	(1,104)	-	-	23,032
Others	20	(2)	-	-	18
Total	115,987	(1,103)	(386)	402	114,900

	12.31.2015	Additions (disposals)	Amortization	Exchange rate variations	06.30.2016
Goodwill on the acquisition of North American companies	43,929	-	-	(7,461)	36,468
Goodwill on the acquisition of AMMO	27,303	-	-	-	27,303
Trademarks	16,307	27	-	-	16,334
Store locations (real estate intangible)	39,643	(2,385)	-	-	37,258
Others	22	-	-	-	22
Total	127,204	(2,358)	-	(7,461)	117,385

The intangible assets presented above (except “Trademarks – use license”) have indefinite useful lives, and therefore are not amortized, but their recoverable values are tested for impairment annually. Trademarks are recorded at their acquisition cost. The amounts related to the store locations (real estate intangible) are recorded at acquisition cost of the respective store, net of impairment, based on its market value determined by an independent broker with valuation expertise.

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 06.30.2017	Consolidated 12.31.2016
Local currency:					
Banco do Brasil S.A. (NCI/NCE) (a), (d)	R$	128.7 to 133.0 of CDI and 11.2 + IRP	2021	415,299	398,904
Banco do Brasil S.A. (a)	R$	128.6 to 138,4 of CDI	2017	81,987	82,124
Bradesco S.A.	R$	140.9 to 143,8 of CDI	2017	21,136	31,437
Banco Votorantim S.A. (a)	R$	114.0 of CDI	2017	40,195	41,730
Banco Santander S.A.	R$	129.9 of CDI and 4.7 + CDI	2018	39,491	50,888
Banco Itaú BBA S.A.	R$	127.5 of CDI	2017	101,360	104,237
Bradesco S.A. (Working capital/CCB)	R$	135.0 and 137.5 of CDI	2018	15,785	22,739
Banco Bradesco – Capital de giro	R$	5,0 + CDI	2018	14,945	-
Banco BBM S.A.	R$	136.7 and 144.8 of CDI	2018	27,295	20,153
BDMG S.A.	R$	107.3 of CDI	2019	17,828	16,632
Banco ABC Brasil S.A.	R$	4,4 + CDI	2019	20,124	-
Banco Fibra – CCE	R$	15,8	2019	16,990	-
Banco do Brasil S.A. CDC	R$	16.9 to 17.2	2017	48,324	45,562
BNDES (Finame)	R$	2.5 to 9.5	2023	7,956	9,385
Banco Santander S.A.	R$	8.0	2017	-	14,603
Other	R$	-	2023	55	66
				------------	------------
				868,770	838,460
Foreign currency:					
Banco Patagonia	$ARG	25.0 and 28.0	2018	33,522	19,574
Banco Frances	$ARG	25.0	2017	3,064	3,159
Banco Rio – Cerrito	$ARG	23.5	2017	3,242	-
Wells Fargo Bank, N.A. (b)	US$ and CAD$	2.2 to 4.5	2021	121,482	147,319
Banco Santander S.A.	US$	6.4 and 7.3	2017	-	12,663
Banco do Brasil S.A.	US$	3.6 and 6.9	2017	61,948	56,423
Banco Santander S.A. PPE (c)	US$	89.0 and 108.0 of CDI	2020	163,107	102,740
JP Morgan	US$	Libor + 0.85	2017	25,287	20,804
Banco Industrial do Brasil S.A. (a)	US$	6.5	2017	34,563	32,985
				------------	------------
				446,215	395,667
				------------	------------
Total				1,314,985	1,234,127
Current				(709,366)	(626,086)
				------------	------------
Noncurrent				605,619	608,041
				=======	=======

(a) Includes loans held by the Company.

(b) Revolving credit facility between indirect subsidiary SGUS and Wells Fargo Bank, N.A. in the amount of US$62,975, including US$60,000 with a five-year term and US$2,975 with a three-year term. The revolving credit facility limits certain activities of SGUS such as sales of assets, distributions to shareholders and incurrence of additional indebtedness. Substantially all of SGUS' assets have been pledged as collateral pursuant to the loan agreement.

(c) Loan guaranteed by linked marketable securities in the amount of US$18,900 thousand (see note 4). Includes contract in the amount of R$61,269 signed by the indirect subsidiary CSA, in March 2017, in which the Company, as guarantor, agreed to comply with the following financial ratios in its consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.5 during the year 2017; 3.25 during the year 2018; 3.0 during the year 2019; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.7; and (iii) EBITDA to net financial expenses ratio, no less than 2.0.

(d) Includes contracts renegotiated by the subsidiary CSA, in November 2016, in the amount of R$328,923 with early maturity covenants, in which the subsidiary SGPSA, as guarantor, agreed to comply with the following financial ratios: Net Debt to EBITDA ratio, no greater than 4.0 during the year 2017; 3.5 during the year 2018; 3.0 during the year 2019, in its consolidated financial statements.

Loans are collateralized by: (i) registered security interest in real estate, machinery and equipment located in the city of Montes Claros, as well as a guarantee from the Company and its controlling shareholders; and (ii) by sureties and bank guarantees for the remaining financing.

Maturities are as follows:

		2018				
	2017	Short term	Long term	2019	2020 to 2023	Total
Local currency:						
Banco do Brasil S.A. (NCI/NCE)	28,801	59,214	-	108,513	218,771	415,299
Banco do Brasil S.A.	81,987	-	-	-	-	81,987
Bradesco S.A.	21,136	-	-	-	-	21,136
Banco Votorantim S.A.	40,195	-	-	-	-	40,195
Banco Santander S.A.	12,809	26,682	-	-	-	39,491
Banco Itaú BBA S.A.	101,360	-	-	-	-	101,360
Bradesco S.A. (Working capital/CCB)	8,356	6,962	467	-	-	15,785
Banco Bradesco – working capital	90	7,415	7,440	-	-	14,945
Banco BBM S.A.	8,367	8,214	8,214	2,500	-	27,295
BDMG S.A.	2,034	4,117	4,116	7,561	-	17,828
Banco ABC Brasil S.A.	5,124	5,000	5,000	5,000	-	20,124
Banco Fibra – CCE	3,324	4,821	4,820	4,025	-	16,990
Banco do Brasil S.A. CDC	48,324	-	-	-	-	48,324
BNDES (Finame)	1,388	1,412	1,390	2,075	1,691	7,956
Others	39	-	3	5	8	55
	363,334	123,837	31,450	129,679	220,470	868,770
Foreign currency:						
Banco Patagonia	301	14,323	4,575	14,323	-	33,522
Banco Frances	3,064	-	-	-	-	3,064
Banco Rio – Cerrito	3,242	-	-	-	-	3,242
Wells Fargo Bank, N.A.	-	-	-	-	121,482	121,482
Banco do Brasil S.A.	36,277	25,671	-	-	-	61,948
Banco Santander S.A. PPE	41,026	38,441	31,201	41,793	10,646	163,107
JP Morgan	25,287	-	-	-	-	25,287
Banco Industrial do Brasil S.A.	34,563	-	-	-	-	34,563
	143,760	78,435	35,776	56,116	132,128	446,215
Total	507,094	202,272	67,226	185,795	352,598	1,314,985

14. DEBENTURES

Through a privately-negotiated debenture agreement, on May 30, 2014, indirect subsidiary CSA issued a non-convertible debenture, which, on July 7, 2014, was fully subscribed by Banco Votorantim. Subsequently, Banco Votorantim sold the debenture to Gaia Securitizadora Agro SA ("Gaia"), which became entitled to receive the full amount of that subsidiary's debt represented by the debenture, plus the debenture's return and applicable default charges, as well as other financial obligations under the Indenture. The debenture was fully settled on its maturity on June 13, 2017.

Through a privately-negotiated debenture agreement, on June 12, 2017, indirect subsidiary CSA issued new non-convertible debentures with the following terms, which, on the same date, were fully subscribed by Gaia Agro Assessoria Financeira Ltda. ("Subscriber"). Subsequently, the Subscriber sold the debentures to Gaia Securitizadora Agro SA ("Securitization"), with the objective of relating the resources of the debentures to the issuance of Agribusiness Receivables Certificates ("CRA").

Debentures' Terms	
Quantity of issued debentures	50,000
Debenture unit price (amount in Brazilian Reais)	R$1,000
Amortization	
Maturity of 1st installment – 25.00%	12/18/2018
Maturity of 2nd installment – 8.33%	06/18/2019
Maturity of 3rd installment – 16.67%	12/18/2019
Maturity of 4th installment – 50.00%	06/18/2020
Return	110% of CDI
Interest amortization	Semiannual
Guarantees	(1)
Covenants	(2)

The funds were available to the subsidiary on the subscription date of the debentures. The issuance costs of the debentures and the subsequent issuance costs of the CRA, in the amount of approximately R$1,977, equivalent to 3.95% of the total issuance amount, will be amortized as transaction cost, along with the debentures charges, prorated to the outstanding debt balance.

Balances on June 30, 2017 were as follows:

	Original amount updated	Prepaid interest	Accrued interest	Balances on 06.30.2017	Balances on 12.31.2016
Current	-	-	275	275	134,993
Noncurrent	50,000	(1,798)	-	48,202	-
Total	50,000	(1,798)	275	48,477	134,993

(1) Guarantees:

Secured guarantee: Real estate of indirect subsidiary CSA which market valuation is greater than 200% of the CRA issuance value. At any time, one or more real estate may be disposed at the discretion of subsidiary CSA and without consent of the CRA holders, provided that: (i) such sale shall not decrease the rate of 200% guarantee of the secured obligations to the CRA holders; and (ii) indirect subsidiary CSA uses the net proceeds of the disposed assets for repayment of bank loans.

Fidejussory guarantee: Surety given by Springs Global Participações S.A.

(2) Covenants:

In addition to the usual covenants, SGPSA has agreed to comply with the following financial ratios: (i) Net Debt to Adjusted EBITDA ratio, equal to or less than 4.00 (four); (ii) Net Debt to Shareholders' Equity ratio, equal to or less than 0.7 (seven tenths); and (iii) Adjusted EBITDA to Interest ratio, equal to or greater than 2 (two). The above ratios are required for the entire contract period and are measured semiannually starting in December 2017. The terms used to describe the ratios have their particular definition set forth in the contract and may differ from the financial statement lines.

15. SUPPLIERS

	Consolidated	
	06.30.2017	12.31.2016
Domestic market	55,896	51,452
Foreign market	106,568	103,131
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	162,464	154,583
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 32 days (29 as of December 31, 2016).

16. GOVERNMENT CONCESSIONS

The indirect subsidiary CSA has equity interest in a consortium for an electric power generation concession with the companies CEMIG Geração e Transmissão S.A. and Vale (formerly known as Companhia Vale do Rio Doce), in equal percentages of 33.33%. No legally independent entity was established for the management of this consortium. Accounting records, equivalent to its interest, are maintained under Company’s control.

As consideration for the concession granted, indirect subsidiary CSA, together with the other consortium members, will pay installments over the concession period to the Federal Government, as presented below:

Beginning of concession period:	July 10, 1997
Concession period:	35 years
Total concession amount:	R$333,310
Monetary adjustment:	IGP-M (general market price index)

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	6,112	584,813	952,405

For accounting purposes, indirect subsidiary CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering a basic interest rate, monetarily adjusted based on the IGPM. As of June 30, 2017, this amount represented R$63,532, of which, R$16,849 is classified in current liabilities and R$46,683 is classified as noncurrent liabilities (R$66,361 as of December 31, 2016, of which, R$17,617 is classified in current liabilities and R$48,744 is classified as noncurrent liabilities).

As of June 30, 2017, the net book value of the property, plant and equipment related to the current concession is R$21,714 (R$22,428 as of December 31, 2016) (see note 11), considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

17. LEASES

Indirect subsidiary SGUS leases properties and equipment under operating leases. Total leasing expense in the six-month period ended June 30, 2017 was R$19,272 (R$21,600 in the six-month period ended June 30, 2016). Indirect subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in the six-month period ended June 2017 was R$7,167 (R$8,330 in the six-month period ended June 30, 2016). Lease payments scheduled for future years are presented in the table below:

Years	2017
2017 (*)	17,831
2018	34,452
2019	30,912
2020	28,550
2021	28,778

(*) 6 months

Beginning in 2021, lease payments continue to decrease until the contracts terminate on several dates through 2030, totaling R$206,981.

For the years between 2017 and 2025, subsidiary SGUS is scheduled to receive sublease payments of R$40,320.

The indirect subsidiary SGUS has short- and long-term accruals totaling R$20,840 (R$21,767 as of December 31, 2016), which consists of the present value of estimated future lease obligations (for the agreements that remained effective after the closing of certain leased facilities in the U.S.), net of existing sublease income and estimated sublease income of closed facilities, which were not yet subleased. This potential sublease income would result in a reduction of the above obligations by R$170,536.

18. EQUITY

a. Capital

Capital, as of June 30, 2017 and December 31, 2016, is represented as follows:

	Number of shares	
	06.30.2017	12.31.2016
Common	13,912,800	13,912,800
Preferred	16,723,657	16,723,657
	----------------	----------------
	30,636,457	30,636,457
	=========	=========

There was no change in the number of shares subscribed and paid for the period between January 1, 2016 and June 30, 2017.

All shares are registered and without par value. Preferred shareholders do not have voting rights, but have the following advantages: (a) priority to capital redemption in the event of liquidation; and (b) right to be included in any public offering for the sale of the controlling interest, as legally determined, and to receive dividends at least equivalent to those paid to common shares.

b. Dividends

Shareholders are entitled to dividends equivalent to 1/3 of annual net income, adjusted as per Company's bylaws and the Brazilian Corporate Law.

c. Retained earnings reserve

The retained earnings reserve was determined in compliance with article 196 of Law 6,404/76 and it is intended to be used on future investments.

19. RELATED PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	06.30.2017	12.31.2016	06.30.2017	12.31.2016
Consolidated:				
Wembley S.A.	32,971	25,855	583	496
Innotex International Ltd.	8,707	8,449	-	-
Holtex Inc.	1,026	489	-	-
Empr. Nac. Com. Rédito e Particip. S.A. – ENCORPAR	54,477	53,941	-	-
Encorpar Empreendimentos Imobiliários Ltda.	-	-	-	1,136
Seda, Inc.	124	122	-	-
Tropical Agroparticipações Ltda.	41	-	-	-
	----------	----------	----------	----------
	97,346	88,856	583	1,632
	======	======	======	======

	Finance charges Income (expense)	
	06.30.2017	06.30.2016
Consolidated:		
Wembley S.A.	1,877	4,006
Empr. Nac. Com. Rédito e Particip. S.A. – ENCORPAR	3,107	1,073
JAGS - José Alencar Gomes da Silva	59	75
Innotex International Ltd.	126	124
Seda S.A.	8	46
Encorpar Empr. Imob. Ltda.	(56)	(9)
Econorte Empr. Constr. Norte de Minas Ltda.	1	1
	----------	----------
	5,122	5,316
	======	======

The balances held with related parties have long-term maturities, and charges are calculated according to the rates equivalent to those in effect in the financial market, namely, 115% to 120% of the Certificate of Interbank Deposit – CDI variance and Libor plus 3% per year for foreign companies.

The Board of Directors meeting of subsidiary SGPSA, held on December 29, 2015, approved payment of 2% commission (two percent annually), limited to the cumulative amount of R$47,750, on sureties/guarantees provided by the Company on loans and financing contracted by SGPSA and its subsidiaries. As of June 30, 2017, the amount of R$31,060 was recorded with R$8,580 (R$9,811 as of December 31, 2016) in the caption “Other accounts payable” in current liabilities and R$22,480 in the caption “Others obligations” in noncurrent liabilities (R$26,375 as of December 31, 2016), related to guarantees on existing contracts and credit facilities. In the first six months of 2017, the amount of R$5,126 was recorded as interest income under the caption “Financial income” (R$6,198 in the first six months of 2016). These amounts are eliminated on the consolidation.

Encorpar Empreendimentos Imobiliários Ltda., affiliated company, and the indirect subsidiary Santanense, entered into a lease agreement related to the building where the subsidiary’s office is located. In the six-month period ended June 30, 2017, R$227 (R$202 in the six-month period ended June 30, 2016) was accrued as administrative expenses.

The amounts paid to key Management personnel are disclosed in the statements of operations, under caption “Management fees” and include existing long-term and post-employment benefits.

20. INCOME AND SOCIAL CONTRIBUTION TAXES AND OTHER TAXES

a. Tax incentives

All manufacturing units of the indirect subsidiary CSA in Brazil (except for the Blumenau-SC) and one unit of indirect subsidiary Companhia Tecidos Santanense, are located in the area of the Northeast Development Superintendence (SUDENE), which provides federal and state tax incentives.

Federal and state tax incentives of the Company and its plants are scheduled to expire on different dates, depending on the manufacturing facility's location. Federal tax incentives were valid until December 31, 2016 and state incentives are valid until December 31, 2021.

b. Income tax reconciliation (income and social contribution taxes)

	Company		Consolidated	
	06.30.2017	06.30.2016	06.30.2017	06.30.2016
Loss from operations before taxes	(8,837)	(74,594)	(21,759)	(96,668)
Equity in subsidiaries and affiliated companies	(1,916)	54,835	(3,245)	32,743
Nontaxable income	-	-	(18,220)	(20,766)
Permanent differences from foreign subsidiaries	-	-	(865)	(116)
Others, net	159	97	658	279
	----------	----------	----------	----------
Income tax basis	(10,594)	(19,662)	(43,431)	(84,528)
34% tax rate	3,602	6,685	14,767	28,740
Unrecognized tax credits	(3,605)	(2,864)	(3,923)	(18,533)
Other	3	3	(367)	(198)
	---------	---------	---------	---------
Total income taxes	-	3,824	10,477	10,009
	=====	=====	=====	=====
Income taxes – current	-	-	(1,642)	4,222
Income taxes – deferred	-	3,824	12,119	5,787
	=====	=====	=====	=====

c. Deferred income and social contribution taxes

As a holding Company, the Company's operations consist of equity in subsidiaries and income from investment activities. Foreign subsidiaries' income is taxed as an addition to the taxable income and they receive tax credits for taxes paid in their respective countries, which is up to 25% of its income tax base. If there are tax losses, tax credits are not considered in Brazil, but they are offset with future income generated by the foreign subsidiary. Therefore, as a holding Company, tax credit recognition is allowed in specific situations.

Deferred income and social contribution taxes recorded in the consolidated interim financial statements arise from subsidiaries' temporarily nondeductible provisions, transferred tax credit, and subsidiaries' net operating losses.

Deferred income and social contribution taxes are composed as follows:

	Balances on 12.31.2016	Recognized in statement of operations	Exchange rate variations	Other	Balances on 06.30.2017
Assets:					
Net operating losses (Company)	3,454	243	-	-	3,697
Temporary differences (Company)	918	-	-	-	918
Temporary differences (CSA – Argentina) (1)	1,482	-	-	(24)	1,458
Temporary differences (CSA – Brasil) (1)	18,112	(969)	-	-	17,143
Net operating losses (CSA – Brasil) (1)	27,368	969	-	-	28,337
Tax credits from foreign subsidiary (CSA – Brasil) (1)	7,167	-	-	-	7,167
Net operating losses (SGUS – EUA) (2)	54,583	12,718	822	-	68,123
Temporary differences (AMMO – Brasil)	728	-	-	17	745
Net operating losses (AMMO – Brasil)	2,042	-	-	-	2,042
Net operating losses (SGPSA – Brasil)	1,906	-	-	-	1,906
Net operating losses (Santanense) (3)	4,214	(17)	-	-	4,197
Temporary differences (Santanense) (3)	17,660	(583)	-	-	17,077
	-----------	----------	----------	------	-----------
Noncurrent assets	139,634	12,361	822	(7)	152,810
	======	======	======	===	======
Liability:					
Temporary differences (Company)	(3,375)	(242)	-	-	(3,617)
Negative goodwill in subsidiary (Company)	(426)	-	-	-	(426)
Temporary differences (Oxford)	(313)	-	-	40	(273)
Negative goodwill in subsidiary (Oxford)	(4,623)	-	-	-	(4,623)
	-----------	----------	----------	------	-----------
Noncurrent liability	(8,737)	(242)	-	40	(8,939)
	======	======	======	===	======

As of June 30, 2017, the Company had net operating losses of R$158,901 (R$148,001 as of December 31, 2016) and social contribution tax losses of R$172,596 (R$161,663 as of December 31, 2016), whose tax assets were not recognized in the interim financial statements.

(1) Deferred taxes of subsidiary CSA:

The indirect subsidiary CSA, based on its business plan and future projections, maintained deferred tax assets derived from accumulated tax losses. Future projections consider the Company's operating results for the next 10 years adjusted to present value and a reduction of interest rates during that period and the resulting cost of debt, among other actions. Based on these actions and the assumptions used in the preparation of the business plan, the management of that subsidiary has expectations to generate future taxable income that will allow the realization of the deferred tax credits shown as follows:

	Parent company			
Year	Temporary differences	Operating losses (*)	Subsidiary Argentina	consolidated
2017	9,670	(9,670)	1,458	1,458
2018	-	618	-	618
2019	-	2,153	-	2,153
2020	-	5,084	-	5,084
2021	-	7,941	-	7,941
2022	-	9,419	-	9,419
2023 and 2024	7,473	19,959	-	27,432
	----------	----------	----------	----------
	17,143	35,504	1,458	54,105
	======	======	======	======

(*) Includes compensation of taxes paid in Argentina.

Temporary differences are fully deductible from taxable income, while tax losses are limited to 30% of taxable income. Both have no deadline for expiration.

Additionally, as of June 30, 2017, indirect subsidiary CSA had net operating losses of R$628,329 (R$611,503 as of December 31, 2016) and social contribution tax losses of R$674,447 (R$617,531 as of December 31, 2016), whose tax assets were not recognized in the interim financial statements.

(2) Deferred taxes of indirect subsidiary SGUS:

The indirect subsidiary SGUS, based on business plan and future projections, maintained deferred tax assets derived, primarily, from accumulated tax losses. The indirect subsidiary SGUS maintained a full valuation allowance on its deferred tax assets. As of December 31, 2016 based on its historical profitability for the past 3 years and the projections of its operating results, the indirect subsidiary SGUS concluded the amount of R$54,583 is considered realizable and reduced the valuation allowance accordingly. As of June 30, 2017, the deferred tax assets balance is R$68,123 (R$54,583 as of December 31, 2016) as a result of the exchange rate variation during the period in the amount of R$822 and the updating of the amounts realized in the first half of the year, resulting in an additional recognition of R$12,718.

The projections considered the operating results of the Company for the next 5 years. Based on the conservative assumptions utilized in the preparation of business plan, SGUS management expects to generate future taxable income that will allow the realization of the deferred tax credits.

The estimated realization for the deferred tax assets, as of June 30, 2017, is shown below:

Year	SGUS
2017	21,382
2018	11,841
2019	10,620
2020	9,436
2021	7,077
2022	7,767

	68,123
	======

Temporary differences are fully deductible from taxable income and have no deadline for utilization. The net operating tax losses are also fully deductible, but the federal losses will expire between 2022 and 2034 and the state losses will expire between 2017 and 2034.

Additionally, on June 30, 2017, indirect subsidiary SGUS had R$716,469 in tax losses (R$795,755 at December 31, 2016) whose tax assets were not recognized in the interim financial statements.

(3) Deferred taxes of indirect subsidiary Santanense:

Santanense, based on its business plan and future projections, maintained deferred tax assets derived from accumulated tax losses. Future projections consider the Company's operating results for the next 10 years adjusted to present value and a reduction of interest rates during that period and the resulting cost of debt, among other actions. Based on these actions and the assumptions used in the preparation of the business plan, the management of that subsidiary has expectations to generate future taxable income that will allow the realization of the deferred tax credits shown as follows:

	Santanense		
Year	Temporary differences	Operating losses	Total
2017	1,036	656	1,692
2018	-	949	949
2019	-	1,668	1,668
2020	-	2,238	2,238
2021	-	2,841	2,841
2022 and 2023	3,161	8,725	11,886
	4,197	17,077	21,274

Temporary differences are fully deductible from taxable income, while tax losses are limited to 30% of taxable income. Both have no deadline for expiration.

d. Recoverable taxes

	Company		Consolidated	
	06.30.2017	12.31.2016	06.30.2017	12.31.2016
ICMS (state VAT)	-	-	22,553	21,646
Prepaid income and social contribution taxes	1,252	2,671	25,977	30,747
Recoverable PIS and COFINS	8,210	8,210	9,201	9,375
IVA/ingressos brutos – Argentina	-	-	2,617	8,898
VAT – China and Mexico	-	-	1,307	1,034
Recoverable IPI	-	-	282	92
ILL (tax on net income)	5,341	5,341	5,341	5,341
Other recoverable taxes	499	63	1,699	2,873
	15,302	16,285	68,977	80,006
Current assets	(1,687)	(2,672)	(27,583)	(39,313)
Noncurrent assets	13,615	13,613	41,394	40,693

21. MISCELLANEOUS ACCRUALS

The Company and its subsidiaries are challenging in court the legality of certain taxes and labor and civil claims. The accrual was recognized based on the risk assessment made by Management and its legal counsel for all lawsuits in which losses are considered probable.

The Company and its subsidiaries have tax and civil claims, whose loss was estimated as possible in the amount of R$154,908 and R$18,121, respectively.

The claims for which losses are considered probable are summarized as follows:

	Company		Consolidated	
	06.30.2017	12.31.2016	06.30.2017	12.31.2016
Tax litigation claims:				
Social contribution	-	-	791	791
Temporary contribution over financial transactions (CPMF)	-	-	-	4,317
INSS	2,470	2,470	5,295	5,295
PIS and COFINS	1,250	1,250	4,515	4,511
IPI foreign flag	3,728	3,728	3,728	3,728
Others	398	398	1,689	1,696
Labor	790	927	13,685	14,128
Civil and others	3,745	3,745	6,380	6,522
	---------	---------	----------	----------
	12,381	12,518	36,083	40,988
	=====	=====	======	======
Escrow deposits	25,066	25,202	48,334	52,776
	=====	=====	======	======

Social contribution – The Company is a plaintiff in a lawsuit filed against the Federal Revenue Service to stop the levy of the social contribution tax on its plants located in SUDENE’s area. In 2013, after successive losses, the Company dismissed the main lawsuit, while other lower value claims of its subsidiaries are still pending.

CPMF – The subsidiary SGPSA was a plaintiff in a lawsuit to avoid the application of CPMF tax assessment on the “symbolic” exchange rate contracts incurred during the process of issuing stock to a foreign investor. In 2017, the subsidiary SGPSA received an unfavorable judgment, which was final and unappealable.

INSS – Administrative litigation referring to tax entries in the Company and its indirect subsidiaries CSA and CTS. The indirect subsidiaries CSA and CTS are plaintiffs in a lawsuit against the Brazilian Treasury Department, disputing the levy of INSS on amounts considered to be employee termination costs and FAP (Accident Prevention Factor).

PIS and COFINS – The Company and its subsidiaries are plaintiffs in a lawsuit against the Federal Revenue Service questioning the inclusion of ICMS in COFINS and PIS tax basis.

IPI – Foreign Flag – The Company is a plaintiff in a lawsuit against the levy of IPI on the acquisition of an aircraft under a lease contract.

Labor – The Company and its subsidiaries are defendants in lawsuits from former employees and third parties.

Civil – The Company and its indirect subsidiary CSA are plaintiffs in lawsuits against the Federal Government disputing the legality of “COFURH – Compensação Financeira pela Utilização de Recursos Hídricos”.

Request for refund and indemnification (“PERDCOMP”) - The Company is a plaintiff in a claim for refund of overpayment that is challenging the retroactive application of IN323/2005, which establishes deadlines for the delivery of PERDCOMP.

Changes in the consolidated accrual are as follows:

	12.31.2016	Additions	Reductions	06.30.2017
Tax litigation claims:				
Social contribution	791	-	-	791
Temporary contribution over financial transactions (CPMF)	4,317	-	(4,317)	-
INSS	5,295	-	-	5,295
PIS and COFINS	4,511	4	-	4,515
IPI foreign flag	3,728	-	-	3,728
Others	1,696	2	(9)	1,689
Labor	14,128	1,028	(1,471)	13,685
Civil and others	6,522	14	(156)	6,380
	----------	---------	---------	----------
	40,988	1,048	(5,953)	36,083
	=====	=====	=====	=====

22. EMPLOYEE BENEFIT PLANS

Substantially all the employees of the indirect subsidiary SGUS are covered by defined-contribution plans. Some executives of indirect subsidiary SGUS are covered by a defined-benefit plan. Indirect subsidiary SGUS may make contributions to the defined-contribution plan at its discretion, and these contributions are considered by means of a percentage of each participant’s eligible compensation. In addition, should eligible participants contribute a percentage of their compensation to some defined-contribution plans, indirect subsidiary SGUS may, at its discretion, make a contribution in the proportion of the amounts contributed by the participants.

Indirect subsidiary SGUS sponsors a defined-benefit pension plan for some of its employees, whose expected pension costs are accrued based on actuarial studies. Contributions of retired employees and indirect subsidiary SGUS are adjusted periodically. Indirect subsidiary SGUS’ contributions to the defined-benefit plans are made pursuant to the “US Employee Retirement Income Security Act” and benefits are generally based on years of service and salary (compensation) levels.

The defined-benefit plan’s assets are invested in diversified equity securities and fixed-income funds (including US government debt). Indirect subsidiary SGUS also provides retirement benefits to eligible executives under nonqualified supplemental executive retirement plans.

The table below includes summarized information on the pension and postretirement plans as of June 30, 2017 and 2016:

	06.30.2017	06.30.2016
Changes in benefit obligation:		
Service cost	536	305
Interest cost, net	1,901	2,368
Net periodic benefit cost	2,437	2,673

The indirect subsidiary SGUS' investment strategy is to invest in a diversified portfolio that will maximize returns, considering an acceptable risk level. Pension plan assets are invested in mutual funds which have a target allocation of 45% to 63% in domestic equity securities and 37% to 55% in fixed income funds. The expected returns on plan assets were developed in conjunction with external advisors and take into account long-term expectations for future returns based on the indirect subsidiary SGUS' current investment strategy.

The balances of employee benefit plans and deferred compensation are as follows:

	06.30.2017	12.31.2016
Pension plan obligations	109,846	110,427
Other employee benefit obligations	5,127	5,710
Total employee benefit plans	114,973	116,137
Current (a)	(10,280)	(10,127)
Noncurrent	104,693	106,010

(a) Presented on caption "Payroll and related charges".

23. FINANCIAL INSTRUMENTS

a) General--The Company and its subsidiaries maintain derivatives and non-derivatives financial instruments transactions, whose risks are managed through strategic financial positions and controls to limit exposure to such risks. All transactions are fully recorded in the Company's books and described in the table below.

	Company		Consolidated	
	06.30.2017	12.31.2016	06.30.2017	12.31.2016
ASSETS --				
CURRENT:				
Cash and cash equivalents	453	286	129,615	183,420
Marketable securities	-	-	56,443	44,431
Accounts receivable	-	-	595,730	592,389
Other receivables	279	252	33,421	42,616
NONCURRENT:				
Long-term assets:				
Marketable securities	-	-	63,404	62,057
Related parties	146,381	136,590	97,346	88,856
Receivable – clients	-	-	24,226	24,288
Receivable – sale of property	-	-	53,801	54,880
Other credits and receivables	2,061	2,061	20,260	13,770
LIABILITIES --				
CURRENT:				
Loans and financing	99,758	107,611	709,366	626,086
Debentures	-	-	275	134,993
Suppliers	221	58	162,464	154,583
Noneconomic lease	-	-	6,383	6,304
Purchase of investment property	6,182	34,296	6,182	34,296
Government concessions	-	-	16,849	17,617
Other accounts payable	9,926	12,174	54,055	66,071
NONCURRENT:				
Loans and financing	-	-	605,619	608,041
Debentures	-	-	48,202	-
Government concessions	-	-	46,683	48,744
Noneconomic lease	-	-	14,457	15,463
Related parties	179,576	113,250	583	1,632
Purchase of investment property	58,875	64,042	58,875	64,042
Other obligations	22,479	26,375	11,529	10,702

The main risk factors to which the Company and its subsidiaries are exposed reflect strategic-operational and economic-financial matters. The strategic-operational risks (such as demand trend, competition, technological innovation, significant changes in the industry structure, among others) are inherent to the Company's operating activities and are addressed by its Management. The economic-financial risks mainly reflect customers' delinquency, macro-economic trends, such as currency exchange and interest rates, as well as the nature of the derivative instruments used by the Company, its subsidiaries, and its counter-parties. These risks are managed through internal control policies, specific strategies and establishment of approval authorities.

b) Fair value--The fair values of loans and financing and debentures are similar to their amortized cost recorded in the interim financial statements because they are indexed to floating interest rates (TJLP, CDI and LIBOR), which accompany market rates. Considering the maturities of other short-term financial instruments, the Company estimates that their fair values approximate book values.

c) Classification of financial instruments--Except derivatives, all financial instruments listed above are classified as "Loans and receivables", in the case of assets, and as "Other financial liabilities", in the case of liabilities, initially measured at fair value and restated at amortized cost. The derivative financial instruments are "Measured at fair value through profit or loss" and the portion related to the cash flow hedge, for which its effectiveness can be measured, has its gains and losses recognized directly in equity as assets and liabilities valuation adjustment and presented in the statements of comprehensive income.

d) Risk management and derivative and non-derivative financial instruments:

d.1 – Objectives and risk management strategies--The Company believes that risk management is important in driving its strategy of profitable growth. The Company is exposed to market risks, mainly related to changes in exchange rates, commodity prices (cotton) and volatility of interest rates. The goal of managing these risks is to eliminate possible unexpected variations in the results of the group's companies, arising from these variations.

The purpose of derivative transactions is always related to the elimination of market risks, identified in our policies and guidelines and, also, to the management of the volatility of financial flows. The measurement of efficiency and evaluation of results occurs during the term of the contracts. The monitoring of the impact of these transactions is analyzed quarterly by the Cash and Debt Management Committee, when the mark-to-market of these transactions is discussed and validated. All derivative financial instruments are recorded at fair value in the Company's interim financial statements.

d.2 – Derivatives use policy--According to internal policies, the Company's financial results should be related to cash provided by its business and not by gains in the financial market. Therefore, it considers the use of derivatives as a tool to protect eventual exposures related to risks arising from such exposures, and not for speculative purposes. The derivative transactions goal is to reduce Company's market risks exposures.

d.3 – Exchange rate risk--This risk arises from the possibility that the Company and its subsidiaries may incur losses due to exchange rate fluctuations that would reduce the nominal billed amounts or increase funds raised in the market.

d.3.1) Exchange rate risk on foreign investments:

The Company has foreign investments that increase its foreign currency exchange exposure, as follows:

Total of foreign investments	06.30.2017	12.31.2016
Investments in subsidiaries	173,179	130,948
	-----------	-----------
In equivalent thousands of US Dollars	52,348	40,179
	======	======

d.3.2) Exchange rate risks on the Company and on its direct and indirect subsidiaries non-derivative financial instruments in Brazil:

The non-derivative financial instruments exposure of the Company and its Brazilian subsidiaries is as follows:

Financial instruments	06.30.2017	12.31.2016
Cash and cash equivalents	5,202	1,971
Accounts receivable	54,693	55,275
Marketable securities	63,403	62,057
Suppliers	(1,385)	(1,152)
Loans and financing	(259,617)	(204,722)
Related parties	15,849	54,412
	-----------	-----------
Total exposure in Brazilian Reais	(121,855)	(32,159)
	======	======
Total exposure in equivalent thousands of US Dollars	(36,834)	(9,867)
	======	======

The sensitivity analysis of non-derivative financial instruments, considering the US Dollar denominated cash flows, as of June 30, 2017, is shown below:

			Scenarios		
Maturity	Risk	Exposure value in thousands of US$	Probable	II	III
2017	US Dollar appreciation	(15,900)	(2,384)	(16,131)	(29,876)
2018	US Dollar appreciation	(26,550)	(5,426)	(28,740)	(52,055)
2019	US Dollar appreciation	8,844	3,556	11,759	19,962
2020	US Dollar appreciation	(3,228)	(1,837)	(4,966)	(8,095)
		-----------	-----------	-----------	-----------
		(36,834)	(6,091)	(38,078)	(70,064)
		======	======	======	======

Amounts in parenthesis (negative numbers) stated in the scenarios above refer to exchange rate variance losses. The positive amounts relate to exchange rate variations gains.

The “Probable” scenario represents the result of the probable exchange rate variation, considering the cash flow of the assets and liabilities presented above, applying future Dollar exchange rates and comparing to the Dollar exchange rate at the end of the current period. Scenarios II and III reflect 25% and 50% deterioration of future Dollar exchange rates, respectively.

The future Dollar exchange rates were obtained from BM&FBOVESPA – “Bolsa de Valores, Mercadorias e Futuros” (Brazilian Commodities and Futures Exchange).

d.4 – Commodities price risk (cotton)--This risk arises from the possibility of the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. A significant increase in price of cotton may cause an increase in the cost of its products in an amount that the Company may be unable to pass such increases to its customers, reducing its margins. In the six months of 2017, the Company registered a gain of R$2,912. In the six months of 2016, there were no results with this type of derivatives.

d.5 – Interest rates risk--Cash and cash equivalents and marketable securities yield, approximately, the equivalent to CDI (Certificate of Interbank Deposit) rates. Interest-bearing liabilities, which reflect rates equivalent to LIBOR, or fixed interest rates, are disclosed in notes 13 and 19. Considering the cash flows of these liabilities (except as described in d.5.1 and d.5.2 below) and the contracted interest rates, Management determined that the exposure to market changes on the contracted interest rates is not significant. Therefore, the sensitivity analysis is deemed unnecessary.

d.5.1 – Variable interest rate risks on derivative financial instruments:

Interest rates swap contracts--Are presented and measured at fair value and are based on the cash flow of the loans denominated in foreign currency. Gains or losses are recorded under the "Financial expenses – interests" caption in the statements of operations. There were no interest rate derivatives in the six-month periods ended June 30, 2017 and 2016.

d.5.2 – Variable interest rate risk on non-derivatives financial instruments:

The amounts related to the Company and its subsidiaries' non-derivatives financial instruments subject to variable interest rate exposure are as follows:

	06.30.2017				12.31.2016
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 128.7% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2021	165,000	3,532	(1,959)	166,573	164,795
Loan Agreement -- Interest: 128.7% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2021	165,000	3,533	(2,269)	166,264	164,128
Loan Agreement -- Interest: 133.0% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: August/2017	2,833	16	(46)	2,803	22,178
Loan Agreement -- Interest: 133.0% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: September/2017	20,000	130	-	20,130	20,021
Loan Agreement -- Interest: IRP + 11.20% Counterpart: Banco Brasil S.A. – CCB Maturity: June/2018	60,000	315	(786)	59,529	-
Loan Agreement -- Interest: 125.5% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: April/2017	-	-	-	-	8,409
Loan Agreement -- Interest: 131.5% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: May/2017	-	-	-	-	11,478
Loan Agreement -- Interest: 131.5% of CDI Counterpart: Banco Brasil S.A. – NCI Maturity: April/2017	-	-	-	-	7,895
(Refer to Note 13)				415,299	398,904

Description	06.30.2017 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2016 Payable
Loan Agreement -- Interest: 114.0% of CDI Counterpart: Banco Votorantim S.A. Maturity: September/2017	40,000	195	-	40,195	41,730
Loan Agreement -- Interest: 129.9% of CDI Counterpart: Banco Santander S.A. Maturity: May/2018	15,000	233	(30)	15,203	30,543
Loan Agreement -- Interest: 129.9% of CDI Counterpart: Banco Santander S.A. Maturity: May/2018	10,000	139	(81)	10,058	20,345
Loan Agreement -- Interest: CDI + 4.657% Counterpart: Banco Santander S.A. Maturity: June/2018	14,500	-	(270)	14,230	-
(Refer to Note 13)				39,491	50,888
Loan Agreement -- Interest: 127.5% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: August/2017	100,000	1,360	-	101,360	104,237
(Refer to Note 13)				101,360	104,237
Loan Agreement -- Interest: 137.5% of CDI Counterpart: Banco Bradesco S.A. Maturity: May/2018	9,167	34	-	9,201	14,229
Loan Agreement -- Interest: 135.0% of CDI Counterpart: Banco Brasil S.A. Maturity: July/2018	6,611	68	(95)	6,584	8,510
(Refer to Note 13)				15.785	22.739
Loan Agreement -- Interest: CDI + 5% Counterpart: Banco Bradesco S.A. Maturity: December/2018	15,000	176	(231)	14,945	-
(Refer to Note 13)				14,945	-
Loan Agreement -- Interest: 144.8% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: June/2019	10,000	44	-	10,044	-
Loan Agreement -- Interest: 136.7% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: December/2018	17,143	108	-	17,251	20,153
(Refer to Note 13)				27,295	20,153
Loan Agreement -- Interest: 107.3% of CDI Counterpart: BDMG S.A. Maturity: November/2019	16,700	1,408	(280)	17,828	16,632
(Refer to Note 13)				17,828	16,632

Description	06.30.2017 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2016 Payable
Loan Agreement -- Interest: CDI + 4.4% Counterpart: ABC do Brasil S.A. Maturity: December/2019	20,000	124	-	20,124	-
(Refer to Note 13)				20,124	-
Loan Agreement -- Interest: 89.0% of CDI Counterpart: Banco Santander S.A. - PPE Maturity: May/2019	82,864	534	(335)	83,063	102,740
Loan Agreement -- Interest: 103.0% of CDI Counterpart: Banco Santander S.A. - PPE Maturity: February/2020	64,063	1,988	(548)	65,503	-
Loan Agreement -- Interest: 108.0% of CDI Counterpart: Banco Santander S.A. - PPE Maturity: June/2018	14,600	78	(137)	14,541	-
(Refer to Note 13)				163,107	102,740
Debentures -- Interest: 110.0% of CDI Counterpart: Gaia Agro Sec. S.A. Maturity: June/2020	50,000	275	(1,798)	48,477	134,993
	898,481	14,290	(8,865)	903,906	893,016

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of June 30, 2017, is as follows:

Maturity	Risk	Principal average balance	Scenarios Probable	II	III
2017	CDI increase	858,075	44,475	52,762	62,118
2018	CDI increase	624,924	66,492	75,382	89,323
2019	CDI increase	384,433	42,705	56,031	67,505
2020	CDI increase	221,882	23,448	33,052	39,850
2021	CDI increase	80,927	8,083	11,095	14,356

Amounts shown in the scenarios above represent projected interest expense, in their respective years and scenarios, considering the average loan balances on each year. The “Probable” scenario represents the result of the probable CDI variations, considering the principal and interest maturity dates. Scenarios II and III reflect 25% and 50% increase in the future CDI index, respectively. The future CDI rates were obtained from BM&FBOVESPA – “Bolsa de Valores, Mercadorias e Futuros”.

d.6 – Credit risk--The Company is subject to credit risk on its cash and cash equivalents, marketable securities, and derivative instruments. This risk is mitigated by the policy of entering into transactions only with major financial institutions. The credit risk on accounts receivable is reduced due to the selectivity of customers and credit policy. The Company has a credit management system based on the combination of information originated by several departments of the Company, primarily sales, finance, accounting, legal and external sources that enable the credit and collection departments to establish credit limits for its customers that are approved by a credit committee.

d.7 – Liquidity risk management--The Company presented its consolidated financial assets and liabilities, according to their cash flows, based on their approximate maturity date, and using nominal contractual interest rates in its annual financial statements for the year ended December 31, 2016. As of June 30, 2017, there was no significant change when compared to the published annual financial statements.

d.8 – Capital management risk--The Company manages its capital structure to ensure the continuity of its operational activities and, at the same time, to maximize the returns to its shareholders. The Company's strategy remained unchanged in the period covered by these interim financial statements.

The Company's net debt is as follows:

	Company		Consolidated	
	06.30.2017	12.31.2016	06.30.2017	12.31.2016
Loans and financing	99,758	107,611	1,314,985	1,234,127
Debentures	-	-	48,477	134,993
Cash and cash equivalents	(453)	(286)	(129,615)	(183,420)
Marketable securities	-	-	(119,847)	(106,488)
Total net debt	99,305	107,325	1,114,000	1,079,212
Total equity	709,410	720,216	1,295,896	1,313,626
Total net debt and equity	808,715	827,541	2,409,896	2,392,838

24. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the decision maker, with the purpose of determining the allocation of resources to an individual segment and evaluate its performance. Given that decisions on strategic planning, finance, purchasing, investment and application of resources, as well as evaluation of investment and key executives performance of the Company are made separately by each direct subsidiary, the Company and its subsidiaries have concluded that they have three operating segments.

The subsidiary SGPSA owns several factories that supply each other so that, together, they form an integrated industry in spinning, weaving, finishing and manufacturing of home textile products. The Company does not have separate operating segments in its sales categories and the reports used for strategic and operational decision making are always consolidated. There are no specific operational units for each category of goods sold. Therefore, these operations are denominated "Wholesale" because its products are not sold to the final consumer. The Wholesale segment is subdivided into two sub-segments: South America, which includes operations in Brazil and Argentina; and North America, which includes operations in the United States of America and Canada.

The indirect subsidiary AMMO has a set of separate information and investment decisions, pricing, store expansion and others, which are individually made, and are denominated “Retail” as its products are sold directly to the final consumer.

The indirect subsidiary CTS has three plants that supply each other so that, together, form an integrated industry in spinning, weaving and finishing of woven fabrics (“Denim”) mainly used for garments. There is no operating segment between the sales categories of the Company, where supporting reports to make strategic and operating decisions are always consolidated. There are no specific operating units for each category of goods sold.

The Company presents below the information by segment (expressed in millions of Reais):

	06.30.2017						
	South America				North America	Others unallocated	
	Wholesale	Retail	Denim	Total	Wholesale	(*)	Total
Net revenues	588.6	119.5	203.4	911.5	380.5	(51.5)	1,240.5
Cost of goods sold	(442.5)	(58.2)	(163.5)	(664.2)	(316.1)	51.5	(928.8)
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Gross profit	146.1	61.3	39.9	247.3	64.4	-	311.7
Selling, general and administrative expenses	(103.2)	(64.2)	(26.6)	(194.0)	(33.7)	(9.0)	(236.7)
Equity in affiliated companies	-	-	-	-	-	3.2	3.2
Others, net	1.3	1.5	-	2.8	6.5	0.4	9.7
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Operating results	44.2	(1.4)	13.3	56.1	37.2	(5.4)	87.9
Financial results	-	-	-	-	-	(109.7)	(109.7)
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Income (loss) before taxes	44.2	(1.4)	13.3	56.1	37.2	(115.1)	(21.8)
	======	======	======	======	======	======	======
Depreciation and amortization	33.5	2.1	5.7	41.3	1.3	-	42.6
	======	======	======	======	======	======	======
Total assets	2,097.9	135.0	469.7	2,702.6	491.1	86.7	3,280.4
Total liabilities	(1,188.6)	(96.8)	(218.8)	(1,504.2)	(389.0)	(91.3)	(1,984.5)
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Total net assets (liabilities)	909.3	38.2	250.9	1,198.4	102.1	(4.6)	1,295.9
	======	======	======	======	======	======	======

	06.30.2016						
	South America				North America	Others unallocated	
	Wholesale	Retail	Denim	Total	Wholesale	(*)	Total
Net revenues	550.5	123.4	178.2	852.1	476.4	(41.3)	1,287.2
Cost of goods sold	(386.3)	(60.7)	(155.5)	(602.5)	(400.2)	41.3	(961.4)
Gross profit	164.2	62.7	22.7	249.6	76.2	-	325.8
Selling, general and administrative expenses	(98.4)	(69.4)	(25.6)	(193.4)	(40.8)	(8.9)	(243.1)
Equity in affiliated companies	-	-	-	-	-	(32.7)	(32.7)
Others, net	(1.1)	(0.7)	0.2	(1.6)	(5.4)	(0.8)	(7.8)
Operating results	64.7	(7.4)	(2.7)	54.6	30.0	(42.4)	42.2
Financial results	-	-	-	-	-	(138.8)	(138.8)
Income (loss) before taxes	64.7	(7.4)	(2.7)	54.6	30.0	(181.2)	(96.6)
Depreciation and amortization	32.2	4.9	5.6	42.7	1.9	-	44.6
Total assets	2,065.9	178.4	428.3	2,672.6	371.3	192.1	3,236.0
Total liabilities	(1,071.1)	(98.0)	(181.5)	(1,350.6)	(402.8)	(98.4)	(1,851.8)
Total net assets (liabilities)	994.8	80.4	246.8	1,322.0	(31.5)	93.7	1,384.2

(*) Relates to the expenses of the Company and non-operating subsidiaries, equity in affiliated companies and unallocated financial results.

The Company’s subsidiaries, through the analysis of sales performance, classify its products under the categories of sales (or product lines) such as: bedding, tabletop and bath, utility bedding, intermediate products, and retail. Revenue information by category or product lines is as follows:

	Consolidated	
	06.30.2017	06.30.2016
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	468.7	495.1
Utility bedding	318.0	379.9
Intermediate products	334.3	288.8
Retail	119.5	123.4
	1,240.5	1,287.2
Volume (thousands of metric tons):		
Bedding, tabletop and bath	15.3	15.6
Utility bedding	21.0	21.3
Intermediate products	21.5	21.6
	57.8	58.5

The Company and its subsidiaries have over 13,000 active clients as of June 30, 2017 and only one customer has sales of approximately 10% of net sales.

25. EXPENSES BY NATURE

The Company presents its consolidated statements of operations by function. The expenses by nature and its classification by function are presented as follows:

By nature:

	Consolidated	
	06.30.2017	06.30.2016
Cost of raw materials, goods and services acquired from third parties	(801,427)	(792,177)
Employee benefits	(253,216)	(255,205)
INSS	(29,549)	(23,468)
Depreciation and amortization	(42,587)	(44,589)
Finished goods and work in process inventory variations	6,862	(5,217)
Exchange rate variations on inventories of foreign subsidiaries	333	(29,952)
Other costs and expenses	(45,913)	(53,852)
Total by nature	(1,165,497)	(1,204,460)

By function:

	Consolidated	
	06.30.2017	06.30.2016
Cost of goods sold	(928,782)	(961,376)
Selling expenses	(150,120)	(154,653)
General and administrative expenses	(80,307)	(82,690)
Management fees	(6,288)	(5,741)
Total by function	(1,165,497)	(1,204,460)

26. NET REVENUES

The reconciliation between gross revenues and net revenues presented in the statements of operations is as follows:

	Consolidated	
	06.30.2017	06.30.2016
OPERATING REVENUES:		
Gross revenues	1,525,311	1,565,863
Sales deductions	(284,825)	(278,689)
NET REVENUES	1,240,486	1,287,174

27. BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share was calculated as follows:

	06.30.2017	06.30.2016
NET LOSS FOR THE PERIOD	(8,837)	(70,770)
Weighted-average outstanding shares:		
Common shares	13,912,800	13,912,800
Preferred shares	16,723,657	16,723,657
	30,636,457	30,636,457
BASIC AND DILUTED LOSS PER SHARE - R$	(0.2884)	(2.3100)

The Company does not have shares with dilutive potential. Therefore, the basic loss per share equals the diluted loss per share.

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